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A HISTORICAL STUDY  
OF THE REPUBLIC OF LIBERIA  
WITH SPECIAL EMPHASIS ON ITS ECONOMIC GROWTH POTENTIALS

A THESIS  
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## PREFACE

Recently, the writer's interest in the Republic of Liberia was awakened by the prospect of future employment in that country. The subject of this thesis was, therefore, prompted by a desire to learn as much as possible about the economy of Liberia, in hopes that any knowledge so gained would prove beneficial in the future.

It should be understood, however, that a study of this type cannot deal with each of the many factors working together which make the economy function as it does. The purpose here instead is to outline the historical background of the modern Liberian economy and, against that background, to analyze its present basic problems.

Once these basic problems are brought to light, the next step is to propose methods of solving them. Chapter IV of this study presents what the writer feels to be the basic problems confronting the Liberian economy today. Chapter V presents possible methods whereby these problems may be solved or at least lessened.

Data in many significant areas are lacking due to the fact that many types of statistics have not been kept in the past. Among the types of information desired but not available at this writing are such data as per capita income, adequate population figures, details of government expenditures, and gross national product estimates. Also lacking are figures which would give the net export figures once the value of goods exported by foreign concerns operating in Liberia is taken from the total export figures which are available. This net figure is of great importance

in determining the type of balance of trade which Liberia has had.

If, in the face of these and other limitations, this study can arouse an awareness in the reader's mind of the great strides forward which have been taken by Liberia in its bid to become an economic equal with the great nations of the world, its purpose will have been served.

The writer is indebted to Dr. Samuel Z. Westerfield for his provocative questions and constructive criticisms which proved invaluable as a source of stimulation during the research for this thesis; to his employers at Morehouse College who allowed him time to have the necessary consultation periods with the thesis advisor; to Mr. A. Romeo Horton, President of the Bank of Liberia, and Mr. H. W. Yaidoo, Director of Statistics and Census, Department of Agriculture and Commerce, Monrovia, Liberia, for their most valuable information and recommendations as to other sources of information; and to his wife, Mrs. Isabel Webster for her performance in the capacities of proofreader and typist of the materials in this study.

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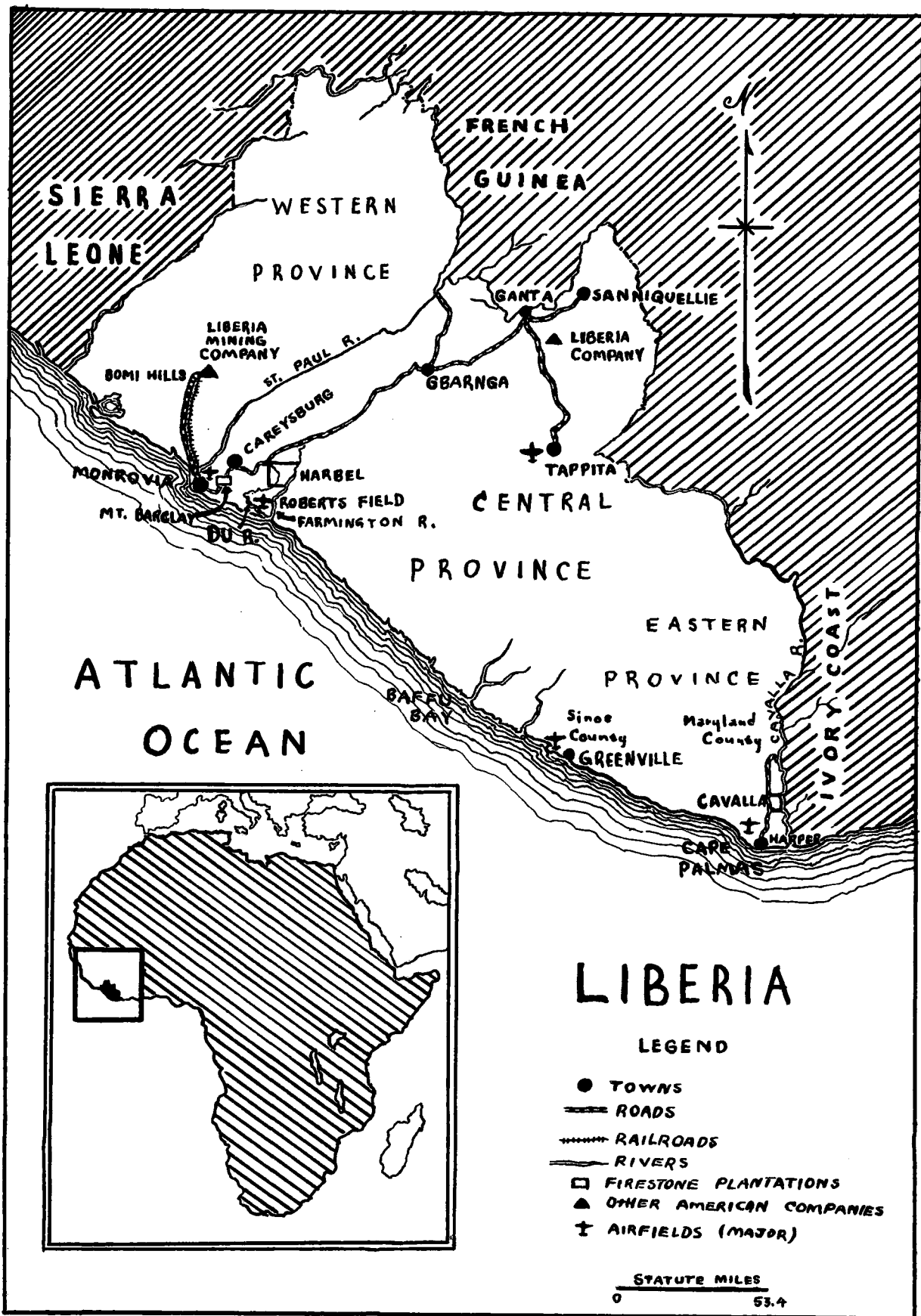
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## CHAPTER I

### INTRODUCTION AND HISTORICAL BACKGROUND

Long after the first explorations were made and maps drawn, Africa remained a "dark continent" in the minds of men. In recent years, the African continent has suddenly loomed to the fore as a land of vast undeveloped material and cultural resources. Today, with the feelings of African nationalism astir and when the new awareness of the wealth and strategic importance of Africa is more apparent than ever, the story of the growth of the Republic of Liberia to a place of respect among the family of nations of the world is of great interest to those who wish to keep abreast of world wide social and economic developments.

The Republic of Liberia, on the West Coast of Africa, was colonized in 1822 by free Americans of color, with the support of the American Colonization Society and the United States Government. In 1847, it became an independent republic.<sup>1</sup> During the one hundred and eleven years since its birth as a republic, Liberia has been faced with many problems, both internal and from outside sources. Germany, France, and the British Empire have all posed serious threats to the very existence of the tiny republic (about forty-three thousand square miles of surface). For many years struggles between the native African tribes and the colonists of African descent prevented any stability in government.

Present day Liberia, though underdeveloped, is very rich in natural resources. At the very heart of the Liberian economy is its rubber production.

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<sup>1</sup>Stanley A. Davis, This is Liberia (New York, 1953), p. 3.

About seventeen per cent of the world's supply of crude rubber comes from Liberia.<sup>1</sup>

Liberia today is plagued essentially with the same problems faced by most countries whose economies are primarily agrarian. Foremost among these problems are: (1) development of the agricultural sector of the country; (2) maintenance of a favorable balance in international trade; and (3) capital formation, both domestic and from outside sources. It is toward an understanding of the nature of and projection of possible solutions to these and other problems faced by the Liberian economy that this study is devoted.

Liberia owes its very birth to the institution of slavery in America and the problems which grew out of it. Emancipation of the slaves presented the problem of placement of the newly freed people. Many of the leaders of the period, from Jefferson to Lincoln, had the opinion that the Negro could never become a part of the American democracy.<sup>2</sup>

During the first few years of the nineteenth century freed slaves were to be found in many American communities. Many of these people were of superior quality, having either purchased their liberty or become free upon the death of their masters. They became small business men or free laborers. Some even owned slaves of their own. However, there was another group of freed men of weaker character who fell into petty crimes or shiftlessness. It was this second group which caused annoyance in communities, giving fuel to the fire for those against emancipation on the grounds of what might be expected if all slaves were given their freedom.

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<sup>1</sup>Ibid., p. 52.

<sup>2</sup>James L. Sibley and D. Westermann, Liberia Old and New (New York, 1928), p. 4.

There arose in the South, mainly, but with support from many Northern sympathizers, a move toward obtaining land outside of the United States and colonizing therein "certain persons whose presence might be undesirable in the commonwealth."<sup>1</sup> There was generally one of three motives behind an individual's or groups' of individuals backing the colonizing move: (1) to see slavery ended and the black man permitted to return to his former home; (2) to be rid of the irresponsible freed Negroes in the communities; and (3) to be rid of the menace of the presence of freed people to the institution of slavery. In 1816, the American Colonization Society was chartered by Congress for the purpose of assisting the freed people to return to the African continent.

In 1822, Jehudi Ashmun, his wife, Mary, and thirty-seven freed Negroes sailed from Baltimore on orders from President James Monroe for the purpose of resettlement on the African west coast on a strip of land which had been purchased from the native Africans for the American Colonization Society by a naval officer, Lieutenant Robert F. Stockton. Though there is no official record of the price paid for this strip of land, one hundred and thirty miles long and forty miles deep, it is presumed that the purchase was paid for with trading goods such as muskets, calico, umbrellas, gunpowder and tobacco.<sup>2</sup>

Between 1822 and 1837, various colonization societies organized by individual states settled various areas around this first settlement which was named "Monrovia" in honor of the then president, James Monroe. In 1837, all of these settlements except one joined to form the Commonwealth of Liberia. The one which did not join formed a separate colony--"Maryland in Liberia."<sup>3</sup>

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<sup>1</sup>Ibid., p. 15.

<sup>2</sup>Charles M. Wilson, Liberia (New York, 1947), p. 11.

<sup>3</sup>Ibid., p. 7.

Maryland became a part of the republic in 1856.

During the ten-year period 1837-1847, the new commonwealth existed in name only. Diplomatically speaking, it did not exist. For instance, an attempt was made to impose duties on imports as a source of revenue, to which the British Government promptly and strongly protested.

In July of 1847, upon adoption of a constitution closely modeled after that of the United States, Liberia became a republic. Almost immediately Great Britain and several other powers recognized the Republic of Liberia as a sovereign nation. Paradoxically, the United States Government did not formally recognize Liberia until fifteen years later when, under President Lincoln, Congress passed an act recognizing the Negro republics of Haiti and Liberia.

During the third quarter of the nineteenth century there was insistent land hunger on the part of the great industrial powers of Europe. These powers were eager for new markets, sources of raw materials and outlets for the investment of surplus European capital. France and Great Britain as next door neighbors to Liberia were constantly exerting pressures for special territorial and economic concessions. These pressures permitted the United States to prove its policies of friendship for the baby nation without claiming a protectorate over the Negro republic. For example: There was a territorial dispute between Great Britain and Liberia in 1869. In May of 1871, Great Britain proposed that the dispute be submitted to a commission appointed by the United States for arbitration. Liberia accepted this proposal.<sup>1</sup> The Boundary Commission thus formed adjourned without definitely determining to which government the disputed territory belonged. As a result, in 1883, it was reported that British authorities had occupied portions of the disputed territory.

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<sup>1</sup>Robert V. Keiser, Relations Between the United States and Liberia (n.p., 1926), p. 21.

British traders continued to occupy the territory and about all Liberia could do was to protest to the British Government which took no action. In 1885, primarily because she was helpless to take any other course of action, Liberia signed a treaty with Great Britain conceding to her the disputed area.

While the British were encroaching on Liberia's territory to the west, France was doing the same to the north and east. These disputes with France ended in 1910 when a treaty was signed defining the boundary of Liberia and France's African territory.<sup>1</sup> The end result was that much of the land, rich in natural resources, formerly belonging to Liberia had been conceded to Great Britain and France.

Although, during these disputes over territory, the sympathy of the United States was with Liberia, no action was taken by the government except for formal protests which had no affect.

As soon as the boundary disputes were settled, the Liberian Government found itself confronted with the pressing problem of inter- and intra-tribal warfare among the natives. To the Frontier Force which was originally organized to protect the boundary fell the job of subduing the native tribes and stopping their warlike practices. Lack of communications, absence of roads and lack of capital with which to build roads all tended to make difficult the job undertaken by the government to control the hinterland.<sup>2</sup>

The first real attempt at bringing order into the administration of the native tribes was made in 1923 by the then president, Charles King.<sup>3</sup> At

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<sup>1</sup>Robert E. Anderson, Liberia America's African Friend (Chapel Hill, 1952), p. 90.

<sup>2</sup>Hinterland: The areas of the country away from the coast and remote from the cities.

<sup>3</sup>Ibid., p. 212.



this time a conference was called. During the month of this conference, the chiefs of all of the tribes and government agents collaborated in the formulation of rules and regulations based on native customs and laws, to govern the native districts. These rules were approved on March 29, 1923, and, although modified from time to time, have served generally as the basis for administration of the hinterland.<sup>1</sup>

Under President Barclay in 1936 there was a general revision of the code and further revisions have been made under the Tubman administration. These revisions were made apparently with a view toward the gradual raising of the status of the tribal people and overall improvement of the government of the tribal people.

Even today, the control of outlying districts is difficult, still due to the lack of sufficient means of communication and few roads. Because of these and other difficulties, various districts continue to be more autocratic than the regulations set up in the code permit. Technically, however, Liberia today is a republic in which about fifteen thousand descendants of early settlers control the affairs of a country whose population is estimated at about one million, five hundred thousand people.<sup>2</sup>

This first chapter by no means has intended to give the reader a detailed history of the Republic of Liberia. Rather the intent here is to give the reader a background against which the development and structure of the Liberian economy might be better analysed.

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<sup>1</sup>Charles H. Huberich, The Political and Legislative History of Liberia (New York, 1943), p. 43.

<sup>2</sup>No accurate census has ever been taken. The figure listed here is a compromise between the estimates of John Gunther and Robert Earl Anderson, both of whose works are cited in the bibliography.

## CHAPTER II

### HISTORICAL ECONOMIC DEVELOPMENTS

Although economically Liberia must still be classed among the under-developed areas of the world, this condition seems to be on the verge of change. The period since the adoption of the constitution until recent times has been dominated by a constant struggle for economic as well as political existence. Liberia has never been able to accumulate sufficient capital for adequate development of its natural resources. While other African areas, as colonies of European powers were being developed by influxes of needed Capital, Liberia stood still.

Both Nigeria and the Gold Coast had their natural resources developed by parent countries. It has often been said that Liberia's economic growth would have been faster had the republic been a colony of some great power. It was not until 1924 when the Firestone Rubber Corporation of America went into Liberia that outside capital began to flow into the country in any significant amounts. The affects of Firestone on the Liberian economy will be discussed later.

From the period of settlement in Liberia to 1866, the Colonization Society had spend \$2,588,907 in the operation of the new republic.<sup>1</sup> This amount represents the total flow of funds into the country for that period.

In 1870, President E. J. Royce went to London where he negotiated a loan of one hundred thousand pounds from the British Government. The

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<sup>1</sup>Raymond W. Bixler, The Foreign Policy of the United States in Liberia (New York, 1957), p. 9.

conditions of discount and interest on this loan were so severe that Liberia only realized about thirty thousand pounds from it. The resulting reactions in Liberia were so great that President Royce was forced to resign.<sup>1</sup> The writer has found no direct purpose for the loan other than to pay for Liberia's alleged encroachments on land claimed by a British trader, John M. Harris, with backing from the government of Sierra Leone, a British possession.

The next attempt at borrowing outside capital was in 1906 when five hundred thousand dollars were borrowed at an interest rate of 6 per cent annually against a pledge of the entire customs receipts from imports. This loan was coupled with the granting of trading and mining rights to a British firm.<sup>2</sup>

America's interest in the Liberian ability to manage its financial affairs lead to the establishment of a commission to study Liberia's economic situation. As an outgrowth of the investigations of this commission, a loan by American bankers in the amount of one million seven hundred thousand dollars was arranged in 1912.<sup>3</sup> The agreement provided for an American receiver of Liberian Customs. This loan was intended primarily as a means of affecting a reform in the internal finances. The terms of the loan were met satisfactorily until 1916 when World War I destroyed much of the foreign trade of Liberia.

The above mentioned loans represent the main sources of outside funds brought into Liberia prior to the Firestone arrangement in 1926. The main domestic sources of revenue to the Liberian economy prior to the entrance of Firestone into Liberia came from the exportation of coffee and cocoa. No

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<sup>1</sup>Robert Anderson, op. cit., p. 85.

<sup>2</sup>Ibid.

<sup>3</sup>Raymond Bixler, op. cit., p. 32.

figures are available for either the volume or dollar amounts brought in by these exports, however.

During the early 1920's, the expanding international rubber market spawned a situation destined to play a most important part in the destiny of the Liberian economy.

The expanding American automobile market and new uses for rubber in this country during this period established the United States as the greatest user of rubber in the world. This rubber came from the British and Dutch East India Islands.

Great Britain instituted a plan to restrict production and export of rubber in such a way as to keep the price of rubber sufficiently high to make production of rubber vastly profitable.<sup>1</sup> This move resulted in excessively high prices for crude rubber in the United States. As a result of the skyrocketing prices in the virtual monopolistic market for rubber, tire manufacturers and other users of rubber began to search for other sources of rubber.

Under the urging of President Hoover, the United States Government investigated the rubber situation. Though it did not have the desire to engage in rubber production, the United States Government offered every encouragement to private interests seeking sources of rubber supply independent of the British-Dutch monopoly.

In February of 1923, Congress passed a resolution appropriating five million dollars for a survey of possible areas in which Americans might grow rubber economically.<sup>2</sup> Also in 1923, Harvey S. Firestone, under company auspices sent out investigators to determine the feasibility of growing a domestic source

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<sup>1</sup>Bixler, op. cit., p. 60

<sup>2</sup>The Firestone Operations in Liberia (Fifth Case Study in NPA Series on United States Business Performance Abroad), National Planning Association, 1956, p. 45.

of rubber in the Philippines, Mexico, Central America, Netherlands East India, Malaya, Ceylon and Africa.<sup>1</sup>

Three of the survey areas were chosen for more careful exploration and possible development: Mexico, the Philippines and Liberia. In 1925, a rubber estate in Mexico was leased to Firestone but was abandoned after a year owing to unsettled political conditions and an inadequate labor force. A plan for large scale rubber planting in the Philippines fell through due to legal restrictions on land ownership by foreign companies imposed by the government of the islands. Therefore, only the Liberian possibility materialized.

The financial situation in Liberia at the time had much to do with the government's decision to admit Firestone. The disruption of foreign trade due to World War I had caused government revenues to drop so drastically that the normal domestic expenses could not be met, much less payments on the loan of 1912. Negotiations for a new loan with the United States Government began in 1919 but never materialized. Liberia did not want to deal with England or France because of restrictions these two powers would impose along with any loan granted and due to the intervention by these powers into the internal affairs of Liberia which would have been made a part of any loan agreement.

The then president of Liberia, President King, decided that direct investment in Liberia by a large American corporation might provide the support and assistance so badly needed. It was in this frame of mind that President King met and pursued the possibilities with the Firestone representatives.

President King wanted to assure himself that Firestone's intentions were honest and at the same time to be certain that Liberia would benefit from

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<sup>1</sup>Ibid., p. 46.

any arrangement made with the company. An agreement to lease a small rubber plantation, abandoned earlier by the British was quickly negotiated but the larger proposal required much consideration. Accordingly, in August of 1925, President King sent the Liberian Secretary to State to the United States to investigate Firestone's intentions and to continue negotiations.<sup>1</sup>

Firestone at the same time was not willing to embark on such a large scale operation as the one proposed unless something was done to improve the financial and economic conditions in Liberia. As an outgrowth of these feelings, a proposal was extended to grant a loan to Liberia by the company. However, the Liberian Government was strongly against accepting a loan from a private company operating within the country for fear that company would acquire too great an influence over Liberian affairs.

After much negotiation, a compromise was reached. Mr. Firestone agreed to form a second corporation to administer the loan. After attempts at getting groups of New York bankers to finance the loan failed, Mr. Firestone formed the Finance Corporation of America with his resources.

Firestone also agreed to build a deep water harbor at Monrovia. Thereby, three separate agreements were finally negotiated. Finally, in 1926, the three agreements were ratified by the Liberian legislature.

Liberia saw the risk that the company might try to dominate the country but, in the minds of government officials, the risks were outweighed. Foremost among the reasons was the belief that the company's interests would coincide with their own in keeping Liberia free of European influence. It had been the European influence on the rubber market which had driven the company to search for new sources of rubber in the first place. Liberia also felt that the United States Government would give active support to Liberia

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<sup>1</sup>Ibid., p. 46.

in any future difficulties with European powers due to the presence of a large, influential American corporation located therein.

Succeeding events have far surpassed anything expected in 1926 when the agreements were ratified. Firestone and the United States Government have proven to be decisive factors in the economic development and strengthening of the international position of the country.

The basic terms and conditions of the three agreements between Firestone and the Government of Liberia are as follows:<sup>1</sup>

1. HARBOR AGREEMENT

The company was to spend a sum not to exceed \$300,000 for the purpose of constructing a deep water harbor at Monrovia. The Liberian Government was eventually to repay the amount. After spending over \$115,000, Firestone concluded that a harbor would cost millions of dollars and the project was abandoned. The later cost to the United States Government of \$22,000,000 proved the abandonment to be a wise idea. Liberia gave its consent to this action by Firestone and Firestone consented to bear the full expense of the work already done.

2. PLANTING AGREEMENT

The company was granted the right to lease not more than 1,000,000 acres at an annual rent of 6 cents per acre for a term of ninety-nine years. (This was the customary rental price of concessions granted by the Liberian Government to foreign companies and individuals). In addition, a tax of 15 per cent on the gross value of all exports by the company

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<sup>1</sup>Ibid., pp. 52-59.

was to be levied, calculated upon the closing price on the New York market on the day of shipment. The 15 per cent provision was dropped in 1950 when Liberia adopted an income tax. Since that time, Firestone has paid the maximum income tax rate of 25 per cent. In return for the above payments, Firestone was granted the following rights:

- (A) to plant, process and export rubber and other agricultural products.
- (B) to mine minerals on its leased lands.
- (C) to build and use roads, bridges, pipelines hydro-electric and power transmission lines on and between its leased lands.
- (D) to use public transportation and harbor facilities; import duty free, the equipment and supplies needed for its operations.
- (E) to construct and operate communication facilities with the main offices in Akron, Ohio.

Firestone agreed to import foreign labor only with the permission of the Liberian Government and not to employ more than 1,500 whites at any time. Disputes between Liberia and Firestone were to be submitted to a board of representatives of the Liberian Government, Firestone and the Liberian Supreme Court. The decisions of this board could be appealed on an international level to negotiations between the governments of Liberia and the United States.



### 3. THE LOAN AGREEMENT

The basic conditions were that the Liberian Government would issue not more than \$5,000,000 of forty-year 7 per cent bonds. The Finance Corporation of America was to purchase an initial issue of half this amount at 90. The remainder could be issued and would be purchased by the Finance Corporation of America only when the revenues of the Liberian Government exceeded \$800,000 a year for two consecutive years. Service of the loan was to be a first charge on the government revenues obtained from import duties, the head tax and the Firestone Plantations Company. In effect, the payments by Firestone to Liberia were going to the Finance Corporation of America which was a subsidiary of Firestone.

Of the three agreements, the Loan Agreement was the most difficult to negotiate. The Liberians thought that the provisions were infringement on Liberia's sovereignty. On the other hand, Firestone believed the restrictions necessary to bring order into Liberian finances.

Only about \$2,250,000 of the bonds were ever issued. The proceeds were used mostly to repay the loan of 1912 and to liquidate Liberia's internal debt. The small balance was used for public works projects. Several revisions to the original agreement were made, the most important being the reduction of the interest rate to 4 per cent which was done in 1939. Increasing governmental revenues during the 1940's enabled Liberia to speed up repayment of the loan. In 1952, the last payment was made on the 1926 loan, fourteen years before it was due. This early repayment was made possible due largely to the revenues received by the Liberian Government from the Firestone Plantations Company.

Further consideration will be given to the importance of Firestone in the Liberian economy in the chapter dealing with Liberia's present day economy.

The decline in demand for raw materials due to the business recession in the late 1920's had a profound affect on Liberia. At the onset of the depression in 1929, rubber prices began to fall and by June of 1929, rubber was selling at the low price of 3 cents a pound. At this time, the 15,000 acres of rubber trees planted in 1926 and 1927 by Firestone were nearing tapping age. Current rubber prices could not cover costs connected with processing and transporting. As a result, planting stopped and tapping was not started.<sup>1</sup>

The ebb in production by Firestone caused a cut in employment in Liberia. Government revenue was low due to the decline in the export of raw materials. In 1930, the American Financial Adviser reported that there would be a deficit of from \$200,000 to \$300,000 in the government's operation for the year.<sup>2</sup> By April 10, only about half of the interest payment due on May 1 on the 1926 loan was on hand.

The American Embassy in Monrovia in 1930 believed that Liberia needed American help to straighten out her finances. Factors considered by the Embassy as contributing to the crises were: maladministration by the government of the hinterland, price controls which limited the productivity of the natives, governmental financial policies determined by political rather than economic considerations and the slump in world trade prices accomplished by the slump in world trade.

As the financial crises deepened, desire for American intervention in Liberian financial affairs increased. By June of 1930, the Finance Corporation of America had requested aid from the United States State Department in enforcing the terms of the 1926 loan. The American minister assured Liberia that there would be no change in the policies of the United States toward

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<sup>1</sup>Ibid., p. 59.

<sup>2</sup>Bixler, op cit., p. 94.

Liberia in spite of the world wide financial crises. The United States Government was interested in Liberia's attempts to rehabilitate her own finances without outside interference. The extent of governmental action at this time was limited to suggestions that Liberia seek to improve her financial condition by: cutting down on the excessively high government salaries; eliminating unnecessary governmental offices and slashing other needless expenses.<sup>1</sup>

Also worthy of mention during this period of great financial crises in Liberia are the terrible health conditions found there along with lack of finances to alleviate these conditions. Added to the financial situation was the fact that Liberia was being investigated by a United States Commission on charges of participating in slavery practices. Attempts by the United States to encourage sanitation to help the health situation and abolishment of the slave trade were frustrated by the Liberian Government.

Due to the urging by the United States and British governments, The League of Nations in 1930 began to investigate ways and means of bringing about reform in the Liberian situation. Since this effort by the League of Nations ended in 1934 without ever going into effect, the writer does not feel the need to elaborate on the details of the four years of deliberation (1930-1934). Inasmuch as the plan did not materialize, its details are not important to this study of the economic development in Liberia.

The following paragraph, in the writer's opinion, sums up beautifully the Liberian situation coming out of the depression years:

In this period, 1929-35, Liberia had gone through the experience of a world depression. The decline of business, especially in rubber, had brought bankruptcy to her finances. The government was starved for

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<sup>1</sup>Ibid., p. 96.

revenue. Inefficiency and corruption were more pronounced than usual. In this dilemma the United States sought the cooperation of the League of Nations. League plans for the reconstruction of Liberia went awry because Liberia feared motives of European powers and was unwilling to yield any of her sovereignty. She preferred what she considered the more disinterested American supervision. Finally, revision of the terms of the 1926 loan and American technical aid helped Liberia on the road to recovery. Reviving economic life of the world also contributed to that end. The little African republic was able to maintain its independence and move toward a greater security made possible through greater prosperity provided largely by the Firestone enterprise.<sup>1</sup>

With the beginning of the rumblings of World War II, new interest in Liberia was awakened on the part of European nations and America. Liberia as a source of raw materials became increasingly important. Due to its location on the western bulge of Africa, any power in control of it could command the important trade routes to the south. When the Japanese navy secured the trade routes to East Indian sources of rubber, the Firestone plantations in Liberia became of vital importance in fighting the war.

Since Liberia was surrounded by British and French colonies, the western powers were concerned that there be no German threat there. At this time (1935-1939) about half of Liberia's trade was carried on with Germany.<sup>2</sup>

At the outset of the war in 1939, Liberia proclaimed neutrality. As the war developed and America became interested in supplying planes to Great Britain, a base on the west coast of Africa became increasingly important.

In November of 1940, the Pan American Airway Company was made the United States agent, given the project of building or improving landing fields in foreign lands. Since America was still at peace these fields were to be developed as commercial airports.<sup>3</sup>

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<sup>1</sup>Ibid., pp. 110-111.

<sup>2</sup>Ibid., p. 113.

<sup>3</sup>R. E. Anderson, op. cit., p. 145.

As a result, Roberts Field, 50 miles from Monrovia, was built for Pan American by Firestone engineers. Later it was enlarged and improved by military engineers and used throughout the war as a ferry point for lend lease planes to Russian and British forces. Also it became an exit point for rubber and other materials headed to America. Since the war the field has been of great importance in the development of Liberia.

Another project arising out of the war crisis and destined to play an important part in Liberia's economic development is the building of the port at Monrovia.

A luncheon date in 1943 between President Roosevelt of the United States and President Barclay of Liberia planted the seeds which were to cause the completion of the Free Port of Monrovia in 1948. President Roosevelt saw a need for a harbor to assist in the operations of the air field so that gas and other supplies might be brought in. President Barclay on the other hand saw a harbor as being necessary to the future of the country without which there could be no real development of foreign trade.

On December 31, 1943, the agreement between the two governments was signed in Monrovia with the American Minister to Liberia representing the United States and the Liberian Secretary of State representing Liberia. By the terms of the agreement, the United States was to make funds available for survey and construction of the port.

Liberia was to provide the site and agreed to the establishment of the port as a "free port" to be operated for the mutual benefit of Liberia and the United States and all nations with which the United States and Liberia maintain friendly relations. Actual administration of the port was to be through an operating contract with an American company to be formed for the purpose with Liberian representation.

The Liberian Government also granted to the United States the right to establish, use, and maintain such military facilities at United States expense as desired in the general vicinity for the protection of United States interests in the South Atlantic.

Provisions were made for amortization payments to the United States to come out of net revenue derived from port charges until cost of constructing the facilities exclusive of military installations should have been reimbursed to the United States. Thereafter, operating contract would pass to the Government of Liberia.

The original estimate of the cost of the project was \$5,000,000. This figure grew to \$8,000,000; \$12,500,000; \$15,000,000; and, finally, to \$19,270,000.<sup>1</sup> An additional \$4,000,000 was allotted for contingencies.

On July 26, 1948, the harbor was opened for commercial use. A Delaware Corporation, The Monrovia Port Management Company, Ltd., administers the harbor and its facilities. As a fee for managing the port, the company received 5 per cent of gross revenues until January 1, 1953, and 10 per cent since that date. The cost of acquiring equipment, repairs, salaries, and wages incurred in operating the port were taken from the gross revenue figure to arrive at the net balance. This net revenue is to be used at the discretion of the Management Company in agreement with the Liberian Government, for improvements, but only to the extent approved by the United States Government. All of the rest of the revenues are to be delivered to the Liberian Government for delivery to the government of the United States to amortize the cost of the harbor. This is to be the general procedure until the entire amount is paid after which time the harbor and facilities are to be turned over to the

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<sup>1</sup>Ibid., p. 173.

Liberian Government.

Thus, a harbor started by the United States Government because of a war need has proved to be a boon to the development of Liberia. The importance of the port at Monrovia in Liberian economic development will become apparent later in this study when Liberia's foreign trade is examined.

In September, 1947, Mr. Edward R. Stettinius, Jr., and others, who had organized the "Stettinius Associates-Liberia, Inc." entered into an agreement, called the "Statement of Understanding," with a group representing the Liberian Government, having as its object "the development of the human and material resources of the Republic of Liberia."<sup>1</sup>

Mr. Stettinius, who while serving first as Lend-Lease Administrator, then as the American Secretary of State had been closely concerned with the arrangements which had resulted in the construction of the deep-water harbor at Monrovia. His interests in Liberia had been aroused by a visit to the Republic while he was Secretary of State. The possibilities that lay in the development of the country's natural resources appealed to him.

Mr. Stettinius wanted to create an organization and to set up a program under which there would be a general invitation to American capital and enterprise to enter Liberia and be welcomed. At the same time, the program would be designed as to fully recognize the position of Liberia as the prime owner of its resources, safeguard its independence and cause the operation of such projects which would result in the plowing back of a reasonable share of the advancement to the Liberian people. The basic idea in the approach by Mr. Stettinius was that, instead of the colonial system of exploitation, a partnership could be established between the inhabitants of such an area and those who could develop its resources.

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<sup>1</sup>Ibid., p. 156.

Thus, the Stettinius idea was embodied in the Statement of Understanding, which was dated September 3, 1947.<sup>1</sup> Under it, The Liberia Company was created to promote and develop the resources of Liberia. Twenty-five per cent of the capital stock of The Liberia Company was issued to the Liberian Government in consideration of the rights granted, 10 per cent to the Liberian Foundation, Inc., a philanthropic trust set up to carry out the social aspects of the program for the development of Liberia. The balance of the capital stock went to the Stettinius Associates who undertook to furnish current funds for operating expenses and to seek whatever financing and technological assistance might be required.

The Liberian Government granted to the Liberia Company comprehensive rights for a period of eighty years, covering virtually all fields of exploitation except those already granted to others such as the Firestone concessions.<sup>2</sup>

Within this framework, private capital could be invited to undertake the various projects contemplated. Each project would be handled by a subsidiary of The Liberia Company. Thus, twenty-five per cent of any profits realized would be to the benefit of The Liberia Company, either as dividends or as an equity interest in the parent company.

The directors of The Liberia Company were selected from the Stettinius Associates and from Liberians nominated by the president of the republic. Thus, the government would be kept in intimate touch with whatever was proposed or done under the Stettinius plan.

It was the intention under the Statement of Understanding that the

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<sup>1</sup>Ibid.

<sup>2</sup>Ibid., p. 258.



following projects should be inaugurated on or before December 31, 1950:<sup>1</sup>

1. Organization of a national bank
2. Mining Operations (other than the Bomi Hills operation which is not included in the concessions granted The Liberia Company)
3. Organization of machinery for collection, grading, processing, handling, and marketing of agricultural products.
4. Organization of a company to import and export commodities and act as the official procurement agency of the Liberian Government and conduct internal trade in consumer goods.
5. Lumbering operations
6. Fisheries
7. Transportation and public services.

The agreement provided that all public service projects under auspices of The Liberia Company should be turned over to the Government of Liberia as rapidly as the government should be able to assume the financial and managerial responsibilities of them.

Mr. Stettinius died before he could see the fruition of this very ambitious program.

A brief summary of some of the later results of the movement started by Mr. Stettinius are as follows:

(1) A trading company was organized and is conducting an active business in Monrovia, importing and distributing consumer goods. This operation is being managed by the Union Trading Company, a Swiss concern.

(2) A cold storage plant and a small hotel have been built by an American businessman which have made possible the shipment and handling of frozen meats and vegetables and provides an acceptable place for Americans to stay.

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<sup>1</sup>Ibid., p. 259.

(3) A study is being made into the possibilities of building up the cocoa industry to where it some day may rank with rubber in importance to the economy. Pan American World Airways and the Mississippi Shipping Company, together with former associates of Mr. Stettinius, have undertaken to keep alive and give needed financial assistance to the Stettinius plan. For this purpose, the Liberian Development Company has been organized as a holding company, taking over from the Stettinius Associates-Liberia, Inc. the controlling stock of The Liberia Company. In 1949, the Statement of Understanding was revised so as to eliminate the responsibility for projects of the public service type which had been assumed formerly by The Liberia Company.

The Liberia Company is still in existence today and has the continued cooperation of the Liberian Government. It is expected that The Liberia Company will develop into a living monument to Liberia's great friend, Edward R. Stettinius, Jr.

The Point Four Program, as inaugurated by President Truman in 1949, had as its aim the provision of American assistance to resource development in the world's less fortunate countries.

In 1950, Liberia and the United States signed the "Point Four" agreement which was to pave the way for surveys of economic resources of the country and for special agreements.<sup>1</sup> This plan was to be operated by a joint American-Liberian commission composed of seven Americans and six Liberians under a Liberian chairman. The Liberian Government would contribute 20 per cent of its national revenue toward the cost of the program. It was estimated that this contribution would average about \$1,000,000 a year. The United States would

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<sup>1</sup>U. S. Bulletin, Department of State, Vol. XXIV, No. 600., as quoted in Bixler, op. cit., p. 121.

contribute the services of sixty-seven technicians and their equipment. The annual rate of expenditure from the United States was expected to reach \$850,000. Negotiations for specific projects were expected as the program expanded. In the next ten years efforts would be concentrated on such engineering projects as roads, bridges, hydroelectric power and waterworks at a cost of about \$11,300,000. Agricultural development would be mostly in the area of food supply and such export products as rubber, and palm oil. The commission was to spend approximately \$4,200,000 on this project. Health services were to cost \$8,700,000; education, \$7,100,000; and the improvement of administration, \$1,200,000. At the request of the Liberian Government, the United Nations would cooperate in the fields of health and education through the agencies of the World Health Organization and UNESCO (The United Nations Education, Scientific and Cultural Organization).<sup>1</sup>

There are many evidences of the success of this program. A survey of the Liberian forests established the fact that more than one-third of the area of the country was covered by forests composed largely of tropical hardwoods. Some of these trees were of an established value while others were commercially unknown. Soil surveys indicated that two-thirds of the Liberian area was adapted to production of various money crops such as coffee, oil palm and bananas. Purebred poultry and other livestock have been established.

The health mission has succeeded in greatly reducing the incidence of malaria, syphilis and, through a nationwide vaccination program, is bringing smallpox under complete control.

A progress report for 1952 indicated that the Liberian Government had spent \$1,400,000 on this improvement program during the preceding year while

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<sup>1</sup>For the discussion on "Point Four" the writer has relied heavily on Raymond W. Bixler's work: The Foreign Policy of the United States in Liberia.

the United States had contributed \$1,506,000.<sup>1</sup>

"Point Four" continues to function in Liberia along the line outlined above while obtaining its financial support from the following three sources: (1) Grants-in-aid from the American Government; (2) loans from the Export-Import Bank and the International Bank for Reconstruction and Development; (3) current Liberian government revenues. Some "Point Four" projects are supplemented by private funds, either philanthropic or growing out of industrial activities in the country.

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<sup>1</sup>Ibid.

## CHAPTER III

### LIBERIA TODAY

The main theme of this study deals with the western or capitalistic type of economy found in Liberia. However, it is important that the reader recognize the existence of an Indigenous Economic Structure in Liberia.

The greater portion of Liberia's population today is indigenous and a majority of the people still cling to the basic African customs and attitudes. To get a complete picture of the modern Liberian economy, a look at the indigenous structure is necessary.

Spread thinly over the country's forty three thousand square miles of African territories are the aboriginal people. Most of these people live in tribal units or tribal lands remote from the two important cities of Monrovia and Harper City.

Land, however acquired, dominates the economic system of the indigenous Liberian African. Land provides a dwelling place and is also the source from which they obtain raw materials for the ultimate satisfaction of their needs.<sup>1</sup> Ownership of the land is vested in the village.

Whenever a group migrates and resettles, land is distributed by the Paramount or Head Chief among the village chiefs. Individual adults may obtain use of land by application to the village chiefs. The land thus distributed is still tribal property though the user takes to himself the products grown thereon after having given the chief his share.

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<sup>1</sup>George W. Brown, The Economic History of Liberia (Washington, 1941), p. 71.

Though communal ownership of land prevails, some classes of goods such as farm products, animals, and implements may be owned individually.

A man, his wife or wives and their children form the basic economic unit in native life. Such a family works together to provide its needs and to meet its communal obligations. Each unit gives part of its production to the clan.

Out of his production the native Liberian African will pay his tribal responsibilities and out of the tribal resources he may draw when in need.<sup>1</sup> In the same way that land ownership is communal, so is labor. Tribal work is performed by all members of the tribe without expectation of "pay" as we know it.

The methods of getting goods not produced locally by tribal units is still barter in many tribal areas in Liberia.

Many tribesmen are skilled in industrial arts, these skills having been passed down from generation to generation. Kitchen ware, leather works and textiles of good quality are produced using primitive methods.

While rice is the most important single crop raised for consumption, corn, cane, cotton and bananas are also raised in large amounts.

Despite the onslaught to which it has been subjected, African self-sufficiency remains surprisingly intact. African land, African labor and the products of these two form the base of Liberia's indigenous economy. Under the Western system now dominant land without the presence of habitation or not registered on paper at the Secretary of Interior's Office may be declared open and free to be parcelled out or sold off for private use. The indigenous African never sold his land; it belonged in common to all members of the tribe as an equal birth-right and social heritage.

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<sup>1</sup>Ibid., p. 74.

In addition to the withdrawal of land from native use, there has been a tremendous drain of the manpower from the tribal units. Large scale foreign corporations which are extracting raw materials from Liberian earth are employers of thousands of the former tribesmen. Among the largest of these foreign giants are Firestone and Republic Steel. Firestone alone employs an average of 25,000, only 300 of which are classified as skilled or semiskilled.<sup>1</sup> However, in spite of these strains and restrictions, there still remains intact much of the primitive economy in the hinterlands of Liberia.

This breach between the indigenous African and the Americo-Liberian has been a major block in the way of fast economic progress in the republic. Until an adequate system of roads is built, and better methods of communicating with the tribes are developed, Liberia will continue to have within its borders two distinct economic systems; the self-sufficiency economy of the African and the capitalistic system of the ruling class of descendants of the early settlers.

Liberia today is a land of many contradictions. Rubber production and export is the heart and core of Liberian economy. It produces about 17 per cent of the world's supply. Yet, only about 25,000 of the nation's two million-plus inhabitants are employed by Firestone Rubber plantations, the country's largest employer.

Monrovia has one of the finest harbors in Africa, built with over \$22,000,000 in American funds, yet has no adequate sewerage or water supply.

One of the most important air bases in the world, Roberts Field, is in Liberia; but the only railroad in the country is a thirty-five mile stretch from the steel pits in Bomi Hills to Monrovia built by Republic Steel Corp.,

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<sup>1</sup>NPA, op. cit., p. 65.

and only about four hundred miles of usable highway existed in 1952.<sup>1</sup>

Each year some of the tribes have large surpluses, but due to lack of roads to carry the products to any central market, they go to waste. Meanwhile, tribes in other areas are suffering famines.

The official motto of the republic is "The Love of Liberty Brought Us Here."<sup>2</sup> But the descendents of the first settlers still distinguish themselves from the natives by calling themselves "Afro-Americans," and discriminate against the natives much as their foreparents were discriminated against in the land from which they fled.

The Liberian Mining Company, a subsidiary of Republic Steel Corp., mines some of the richest ore in the world and ships millions of tons of it a year out of Liberia, but the Liberian Government gets only 5 cents a ton for all ore shipped.

Many of these contradictions can be traced to the economic domination by the United States in Liberia. The American companies have undoubtedly done much good for the country. Firestone, with help of the Liberian Government has set up health clinics, research centers and trade school for their workers.

Still, in the writer's opinion, off-setting these benefits are bad effects of foreign domination in Liberia. The bulk of the tribespeople do not fall under the influences of Firestone. These people live in the same primitive, communal tribes that their ancestors lived in, and suffer the same hardships their ancestors suffered. Often the clearing of land for new rubber plantings causes hardships by changing the nature of the land upon which these native people depend for existence.

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<sup>1</sup>Stanley Davis, This is Liberia (New York, 1953), p. 54.

<sup>2</sup>Liberia Today, Vol. VII, No. 1, (January, 1958), Cover.



Liberia's economy is based on agriculture and it is estimated that 80 per cent of the people are engaged in agricultural activities. Of the total land area, at least 50 per cent is considered arable. The remaining land, except that taken up by towns, roads, or considered as wasteland is and will probably be retained in forestland.

Except for the Firestone company's plantation and rubber groves of a few of the wealthier Liberians, the agriculture of the country is largely of the primitive type. Modern farm machinery is virtually unknown nor are horses or other work animals used. The Liberian Government along with the assistance of the United States' "Point Four" program<sup>1</sup> have undertaken an agricultural extension program looking toward the introduction of agricultural methods and equipment suitable to the local environment as a means of increasing yields and diversifying crops.<sup>2</sup>

The principal domestic crop produced by the natives is rice. Still, Liberia in the past has not produced enough rice to feed her population and limited quantities have to be imported. Liberian foreign trade statistics show imports of approximately 2,000 tons of rice in 1953. These imports were made entirely by Firestone for subsidized sale to its employees.<sup>3</sup>

In addition to rice, the natives grow and consume a number of other foods including eddoes, sweet potatoes, bananas and other vegetables and fruits. A limited number of chickens, goats and sheep supply a small amount of protein food but have to be supplemented by wild game and fish. Coconut production is

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<sup>1</sup>See p.23.

<sup>2</sup>United States Department of Commerce, Bureau of Foreign Commerce, Basic Data on the Economy of Liberia (Washington, 1955), p. 3.

<sup>3</sup>Ibid., p. 4.

on the increase along the coastal belt of Liberia. This crop is found around native villages and is grown principally for local consumption.

Except for wages, the principal cash income of the native people is obtained from sale of palm kernels and palm oil. Palm kernel ranks second to rubber among the agricultural exports of Liberia.<sup>1</sup> Lesser export crops at present are coffee, cocoa, and kola nuts.

Overshadowing all other operations, agricultural and otherwise, is the rubber production which will be discussed further in the section on foreign trade.

In 1955, Liberian law required a minimum wage of 4 cents an hour and a work day not to exceed 8 hours. Liberia's wage structure has generally lagged behind living costs. A detailed cost-of-living survey has never been conducted in Liberia nor has a cost-of-living index been maintained by any government agency as late as 1956. However, it was noted that wages had not increased significantly in the period 1950 to 1956, while the prices for basic foodstuffs had increased significantly during the same period.

In 1955, the foreign concessionaires found it hard to recruit a labor force sufficiently large to realize their production goals. To encourage employment, the large foreign concerns offered certain incentives, including free medical attention, housing, education and subsidies for certain necessities, but these incentives did not prove to be successful.

The Liberian Government moved a step closer to a realistic approach to the labor supply problem when in 1956 it undertook a population census of Monrovia. The census was a preview of an all Liberia census that the Secretary of Agriculture and Commerce recommended as necessary to the proper

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<sup>1</sup>See Table 4, p. 53.

economic development of the country. This census in Monrovia disclosed a total population of 41,391--23,309 of which were males between the ages of 15 to 45.

The ten principal employers in Liberia during 1956, of which Fire--stone and the Liberian Mining Company are leaders, hired a total of 48,523 African laborers to whom annual wages were reported as \$8,782,378, or an average per capita wage of \$181.<sup>1</sup>

Labor recruiting was also difficult in 1956. Several factors contributed to this situation. News of diamond mining areas being opened in several of the outlying districts attracted increasing numbers of laborers. These laborers seemed attracted by the higher wages and the improved chances to make more money quickly. Also, the number of Liberians engaging in farming and other economic activities on their own made it harder for foreign corporations to find workers.

The first important legislation affecting employment was the Workmen's Compensation and Protection Act of January 29, 1943.<sup>2</sup> In this act, a workman is defined as a person engaged in an occupation not related to agriculture or forestry or to the processing of the products of agriculture or forestry. Excluded are nurses, government employees, domestics, and persons having an income of over \$100.00 a month.

There are no provisions in the act relating to the minimum age of employees in any category, to workers in hazardous and fatiguing occupations or the employment of women and children. Wages are defined as including the reasonable cost to the employer of furnishing workmen with food, lodging,

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<sup>1</sup>U. S. Dept. of Commerce, Bureau of Foreign Commerce, Economic Developments in Liberia (Washington, 1957), p. 7.

<sup>2</sup>U. S. Dept. of Commerce, Bureau of Foreign Commerce, Establishing A Business in Liberia (Washington, 1954), p. 4.

medical care and other facilities if customarily furnished by such employer to his workmen.

Foreigners may engage in such professions as medicine, dentistry, pharmacy, engineering or accountancy but must register under regulations of the Department of Agriculture and Commerce before commencing activity.

Persons interested in practicing medicine or dentistry must obtain permission and a license from the National Public Health Service. Persons wishing to practice law must become members of the Liberian Bar and must take an oath of allegiance to the Liberian Constitution. An oath of allegiance to the Liberian Constitution by an American would involve loss of United States citizenship.

A section of the act provides that foreign labor cannot be engaged in Liberia except in administrative, supervisory, or technical capacities, unless there is a shortage of Liberians capable of supplying the needs of the employer. If such a shortage does exist, the employer must gain permission from the Department of Interior to import such foreign labor as may be needed. This provision is a clear means of preventing competition for unskilled labor from outside countries.

The first Liberian labor union was organized and incorporated by an act of legislature on December 22, 1949. This union, "The Labour Union of Liberia," embraces all trades although specifically mentioned in the charter are chauffeurs, mechanics, store boys, washermen and clerical employees. The union may sue and be sued and can carry out other acts which may generally be performed by corporate bodies in Liberia. The Liberian Government serves in an advisory capacity to the union and also assists it financially by direct grants to help defray its operating expenses. There is no evidence, however, that the government has sought to dominate the union. The writer has found no

later reports on actions by the Labour Union of Liberia.

Liberian law provides for an 8-hour day and a 48-hour week. As stated earlier, unskilled workmen are entitled to a minimum wage of 4 cents an hour and all work performed in excess of 48 hours per week entitles the workman to a wage of one and a half times his hourly rate. No foreign workman may be employed at a wage rate higher than that of a Liberian citizen in a similar position provided that competency and seniority are taken into consideration.

There are no provisions under Liberian labor legislation regarding safety standards; unemployment insurance; sanitary standards; sickness benefits; social security benefits or guaranteed employment plans. In the absence of such legislation, however, some companies have adopted policies which do provide some measure of social security and other benefits. Notable among the paternalistic employers is Firestone Plantations Corporation, whose practices concerning employees has been mentioned before in this study.

In response to demand for an effective bargaining agency on the part of labor, the Labor Congress of Liberia was launched in February of 1954. By mid-year, five constituent unions to the Congress had been formed: (1) The General Workers' Union, (2) The Dock Workers' Union, (3) The Mine Workers' Union, (4) The Railroad Workers' Union, and (5) The Rubber Workers' Union. Total theoretical membership in the Congress was estimated at 50,000 while paid up and participating membership was estimated at something less than 1,000. Two branches of the Congress were established outside of Monrovia, one at Bomi Hills and the other at Greenville.

The Labor Congress of Liberia participated in one strike action of significance in the spring of 1955. The strike had to do with demands on the part of members of the General Workers' Union for increased wages in connection

with their employment by a road construction firm. The Congress negotiated with management for approximately eight weeks, following which a strike was called which lasted only two days. The result of the strike was an increase of from 15 cents an hour to 20 and 25 cents an hour in pay for heavy machine operators and from 5 cents per hour to 6 cents per hour in pay for common laborers. The Liberian Government assisted in settling this strike.

Due largely to the presence of large foreign corporations who employ huge numbers of laborers, Liberia is not plagued by the problem of unemployment as are most similarly underdeveloped countries. Presently both unskilled and skilled labor must be imported in many instances to meet the present and growing demand for labor. There is no doubt in the writer's mind but that much of the labor force of Liberia is under-employed and exploited due to the wage structure.<sup>1</sup>

An estimated 37 per cent of the land area of Liberia is covered with forest. The composition of the forests is extremely complex. Anywhere from 50 to 150 different species of merchantable types of timber may occur in localized areas. Preliminary estimates indicate that about 32 per cent of the total land area supports timber considered adequate in extent, quantity, and quality for future commercial use. About 60 per cent of these forests lie in the Eastern one-third of the country.<sup>2</sup>

Agricultural activities over centuries account for virtually all of the shrinkage of the forest resources. While the annual clearing of virgin forest areas for new farms is much less extensive than usually thought, each

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<sup>1</sup>Under-employment defined: The use of units of labor at less than its potential capacity.

<sup>2</sup>United States Dept. of Commerce, Economic Development in Liberia 1956, p. 5.

year some areas are being cleared to the possible detriment of future forest industry. It is estimated that 50,000 acres of forest are being cut down annually for farming activities. With a total forest area of 8,700,000 acres in forest land, the amount being destroyed does not seem to be too significant.<sup>1</sup> Although some depletion will continue to take place through agricultural activities, the Liberian Government, with assistance of the United States Foreign Operations Mission, is taking steps to retard this destruction.

Conservation measures will be imposed on concessionaires to prevent destructive forest practices. These measures are not intended, however, to restrict utilization of forest resources on a long term self-sustained-yield basis.

Liberia has never had a real forest industry, although exploitation has recently started on a limited basis. Although complete data is not available, it is believed that the entire Liberian timber exported prior to 1954 did not exceed 22,000 tons. The value of Liberian timber exports in 1953 was \$5,458 as contrasted to imports of timber and all wood manufactures of \$126.00.<sup>2</sup>

The location of Liberia in relation to Europe is highly favorable with respect to the export of forest products. Through reasonable investment, Liberia could in years to come be one of the important exporters of tropical hardwoods.

The fishing industry has not yet been fully developed in Liberia. A start was made in 1953 by a firm of mixed Liberian and Italian capital. In 1954, the company had two trawlers averaging a catch of from 3/4 to 1-1/2 tons of fish per day each. Among the fish caught are porgy, lobster, shrimp,

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<sup>1</sup>Ibid.; p. 6.

<sup>2</sup>Ibid.

crabs and other edible varieties. The company markets its catch in Monrovia.

In addition to the organized fishing company, native fishermen go out daily in dugouts or canoes and return at the close of the day with a few fish.

The total Liberian catch, however, is not enough to meet even local demand. All of the days' catch is consumed in the Monrovia area. The operation of the fishing company has caused a drop of approximately 50 per cent in the import of dry or canned fish during the main fishing season which coincides with the dry weather season. The writer feels that with additional investment, the present facilities could be expanded to meet demand for fish and, perhaps, give to the investor a fair return.

The minerals known to exist in quantity in Liberia of economic value are iron ore, gold and diamonds. The occurrence of other metals has been reliably reported but evidence is lacking as to whether these other metals exist in sufficient quantities to merit commercial extraction.

Liberia's principle mineral export is iron ore.<sup>1</sup> This mineral is being extracted by an American corporation, Republic Steel, at its concession northwest of Monrovia. The company's first shipment of iron ore was made in 1951 and exports have increased steadily since that time. Reports from the corporation of exports of iron ore for the first three years were as follows in tons: 1951, 186,000; 1952, 890,000; and 1953, 1,377,000.

The mining of gold has been engaged in for a number of years. The mining is done entirely by hand labor using picks, sluice box and pan. The gold that is mined is obtained along the beds of small streams.

From 1934 to 1943 the gold production in Liberia steadily increased. Since 1944 the production has fallen off. The reasons given for the decline

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<sup>1</sup>See Table 1, p. 38.



TABLE 1  
VALUE OF EXPORTS BY SOURCE OF PRODUCTION,  
1953-1956  
(Value in thousands of U.S. \$)

	1953	1954	1955	1956
Total	30,998.3	26,378.1	42,839.8	44,537.8
Agricultural	23,766.7	20,804.3	34,896.4	32,140.7
Rubber	21,110.3	18,728.0	22,041.8	30,256.7
Palm Kernel	1,875.9	1,155.1	1,000.6	1,013.7
Piassava	299.5	187.0	272.5	201.8
Coffee	248.7	231.3	226.7	333.4
Kola Nuts	83.2	71.3	40.0	13.4
Banana	-	-	-	58.6
Mineral	5,819.2	4,871.0	7,345.5	10,576.7
Iron Ore	5,815.4	4,364.9	6,728.0	8,140.6
Diamonds	3.8	506.1	617.5	2,436.1
Other exports	1,412.4	702.8	597.9	1,820.4

Source: Foreign Trade Supplement FT Report, Volume 4, No. 1, by  
Department of Agriculture and Commerce, Bureau of  
Statistics, Republic of Liberia.

in gold production are given as being due to the gradual exhaustion of the deposits and the 15 per cent export duty.

Diamonds were found in the Western Province a number of years ago and, as a result, a small scale mining operation was started by the Liberian Government which operated during 1936 and 1937. No records are available on this operation. During 1953, 3,243 carats were exported and during the first half of calendar 1954, exports were reported at 7,420 carats. An ad valorem export duty of 15 per cent is levied on all exports of industrial and uncut diamonds.<sup>1</sup>

Manufacturing in Liberia is done on a very modest scale. The chief items manufactured on any organized basis are bricks, tile, soap and furniture. Most of the brick, tile and soap are manufactured by foreign concerns. Furniture and cabinets are produced by three local manufacturers and a number of native carpenters. Production is restricted to small scale due to the absence of ways of seasoning the wood prior to its use. Also the absence of a sufficient number of sawmills makes it necessary to import most of the lumber used.

The year 1955 saw several new enterprises launched in Liberia. Several modern gasoline pump stations were opened in Monrovia and along the roads leading into the hinterlands, making it possible to go longer distances into the country, without taking along an extra supply of gasoline.<sup>2</sup>

An American citizen launched a tractor and heavy equipment agency to provide spare parts and capital equipment for road construction.

A Spanish firm began construction of a textile plant to produce undershirts and sport shirts with ultimate capacity to be 2,400 units per day.

The four story Monrovia City Hotel was built with Spanish capital and

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<sup>1</sup>Ibid., p. 7.

<sup>2</sup>United States Dept. of Commerce, Economic Developments in Liberia 1955, p. 3.

leased to the Liberian Government. It has twenty-four air-conditioned bedrooms and is considered one of the best on the western coast of Africa. Also built by the same Spanish interests in 1955 was a modern movie house.

Other commercial developments in 1955 included the launching of several taxicab companies, a bus system in Monrovia, and the opening of a number of new restaurants and night clubs.

According to the World Trade Information Service Economic Report of 1956, Liberia is sorely in need of low cost electric power. If economic development within the country is to improve at a reasonable rate, the power facilities must be improved. Possible expansion of local industries is hindered both by inadequate power facilities and the high prices of the available power. These same high costs restrict wide consumption even by residents of Monrovia.

The government operates two plants for the city of Monrovia. All public energy used in Monrovia is distributed and sold by the Liberian Company under government contract. Other important power plants in Liberia are those owned by the Free Port of Monrovia, Firestone Plantations, Inc., and Republic Steel Corp. The report stated that unless the present capacity was expanded that the need for electric power would surely soon outstrip the amount of power available.

The isolated sections of Liberia still depend on human power as the sole means of transportation. No domestic animal is used nor has any mechanical means been introduced. The streams inland are of such nature as not to be navigable even to native canoes.

It was estimated that in 1955, 450 miles of all-weather roads existed in Liberia of which 200 miles was located on the Firestone plantations. By the end of 1955 only about 15 miles of paved road existed in the country,

50 per cent more than in 1952.<sup>1</sup> The rest of the roadwork in Liberia consisted of 400 miles of roads passable in certain seasons, generally the dry season from November to April.

By the end of 1955, Liberia's merchant marine was the fourth largest in the world. The popularity of the Liberian flag is due to the very low registration fees and tonnage taxes charged by the government. In spite of the low fee, vessel registrations provide for 7 per cent of the government's revenues during the first eleven months of 1955.

Liberia is serviced by two international airlines, Pan American and Air France. These two lines provide passenger, mail and freight service. Liberian National Airways provide service to 11 inland cities where airstrips are located. Liberia's chief airport is Robert's Field, mentioned earlier in this study.

International communication facilities include air and boat mail service, radio and transoceanic cable. Internal communications include air, land and boat postal service and radio. Air mail between Liberia and the United States takes from five to nine days either way. Boat mail takes from two weeks to thirty days and is dispatched from Liberia only about twice a month.

Within Liberia, communications are carried on by the Liberia Government Radio Service by radiotelegraph. Wide use is being made of short-wave sets by commercial firms requiring contact with their scattered interests. Monrovia, the only city with a telephone system, inaugurated in 1952, by 1956 had 700 lines. The capacity of the system at that time was 1,200 lines.

Radiotelephone stations have been set up at key positions in the

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<sup>1</sup>Ibid., p. 5.

country which presently make for a rather efficient system without the use of telephone lines. There are also two radio stations which broadcast news, entertainment, and general information.

The medium of exchange in the Republic of Liberia is theoretically the Liberian Dollar. According to an Act of Legislation approved on June 7, 1935, the Liberian Dollar was established as a gold dollar to the exact equivalent of the United States Dollar. (fifteen and five over twenty-one grains of gold) It, therefore, constitutes the monetary unit of the country.<sup>1</sup>

Prior to 1943, the British pound sterling was the medium of exchange and British currency and coins circulated as legal tender in Liberia. During World War II, the government replaced the pound sterling by the United States Dollar as the medium of exchange and legal tender. The currency now in circulation is the United States Dollar, as well as Liberian coinage: 50-cent; 25-cent; 10-cent; 2-cent; and 1-cent pieces.

Table 2 shows total receipts and expenditures of the Liberian Government during the period 1939 through the first eleven months of 1955. The sizable increase in Liberia's revenues beginning in 1951 is due primarily to the initiation of an income tax program in 1951 retroactive to 1950. The decrease in 1951 in receipts is due largely to the slump in the price of rubber thus resulting in a decrease in income taxes upon the rubber companies. Presently, the main source of government revenue is derived from the income tax. Second in line of importance are customs duties which with the expansion of foreign trade have been steadily increasing. Third in importance is the royalty paid on iron ore exported, previously mentioned as having begun in 1951.

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<sup>1</sup>The Liberian Yearbook, 1956, edited by Henry B. Cole, 1956.

From 1939 until 1950, total annual revenues never rose above \$4,000,000 which placed a ceiling on the functions of the government. It had been hard for the government with its limited revenues to appropriate money for the needed services such as roadbuilding, education, public health or other important government functions of this type. However, since 1951, it has been possible for the government to give more attention to the many needed expenditures for economic and social expenditures.

In 1956, it was estimated that 52 per cent of the revenues of the government of Liberia came from the activities of three American firms operating there: Firestone Plantations Co., Liberian Mining Co., (Republic Steel) and International Trust Company (in charge of registration of ships).<sup>1</sup>

Arrangements for tax modification are effected by special agreement with the president of Liberia and upon approval of the legislature, inasmuch as there is no governing statute. Some of the concession agreements currently in effect provide for tax exemption of five to ten years dating from the start of operations under the concessions or a maximum percentage of income liability over a set number of years. The Tubman administration has taken these modifications as one of the means of attracting foreign investments in Liberia.

The income tax, mentioned before as being the most important source of revenue for the Liberian Government is neither burdensome nor excessive when compared with that of most other countries of the world. The following is a brief summary of the income tax procedure in Liberia.

The government of Liberia assesses a progressive tax on the incomes of individuals, partnerships and corporations on a graduated scale of rates. The individual tax is based upon net income and is applicable to citizens and

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<sup>1</sup>U. S. Department of Commerce, Economic Developments in Liberia 1956, p. 9.

TABLE 2  
RECEIPTS AND EXPENDITURES OF THE LIBERIAN GOVERNMENT  
1939-1955

Year	Receipts	Expenditures	Receipts over or (under) Expenditures
1939	\$ 826,700	\$ 834,570	(7,050)
1940	749,583	636,710	112,873
1941	972,245	691,511	280,734
1942	1,005,272	921,511	83,761
1943	1,429,927	1,014,564	415,362
1944	1,598,401	1,507,954	90,447
1945	1,933,706	2,042,000	(208,294)
1946	2,337,401	2,307,614	29,787
1947	3,412,274	2,784,061	628,213
1948	3,430,041	3,577,688	(147,627)
1949	3,815,834	4,013,201	(197,367)
1950	3,872,273	4,984,243	(1,111,970)
1951	12,830,685	10,261,209	2,569,476
1952	8,852,000	12,664,123	(3,812,123)
1953	11,199,433	12,446,820	(1,247,387)
1954	11,923,584	14,006,149	(2,082,565)
1955 <sup>a</sup>	14,354,967	13,970,564	384,403

<sup>a</sup>First eleven months only

Sources: World Trade Information Service, Nos. 55-56 and 57-58.  
Economic Developments in Liberia 1955 and 1956

alien residents alike.

Ordinary deductions and a statutory deduction of \$2,000 are subtracted from gross income and the tax is then computed at the following rates in per cent:<sup>1</sup>

<u>Net income between:</u>	<u>Per cent</u>
\$0.01 & \$ 2,000	2
2,000 & 4,000	4
4,000 & 6,000	6
6,000 & 8,000	8
8,000 & 10,000	10
10,000 & 20,000	15
20,000 & 50,000	20
All net income over 50,000	25

The income tax provides further for a tax on the net income of every domestic corporation, joint stock company, association, or insurance company and every corporation or insurance company existing under the laws of any foreign country and licensed to do business in Liberia at the following rates in per cent:<sup>2</sup>

<u>Net income between:</u>	<u>Per cent</u>
\$0.01 & \$ 5,000	5
5,000 & 10,000	10
10,000 & 20,000	15
20,000 & 50,000	20
All net income over 50,000	25

Ordinary deductions for individuals include all interest paid during the year on indebtedness, all other taxes paid within the taxable year, losses sustained in the taxable year not covered by insurance and contributions to charitable organizations not to exceed 15 per cent of net income. Partnerships are taxed as an entity upon net income. Gross income to partnerships includes only income from the partnership's earnings. The schedule of rates

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<sup>1</sup>U. S. Department of Commerce, Establishing a Business in Liberia, p. 5.

<sup>2</sup>Ibid., p. 6.



for partnerships is the same as for individuals.

The corporation income tax is not the subject of any statutory exemptions but ordinary exemptions of a business nature are allowed. Income derived from sale or exchange of goods grown, manufactured or produced outside of Liberia is included in gross income.

A significant provision of the act relates to its being not applicable in cases where individuals, partnerships or corporations have contractual agreements with the republic which explicitly cover taxation.

In spite of the comparative importance of the income tax as a form of revenue for the Liberian Government, the writer feels that in the future, the schedule of rates can and will be revised as the government becomes aware of the potential revenue to be gained from income taxation.

Certain national business taxes, cited below form the completed structure of revenues from taxation to the government.

MERCANTILE SALES TAX - A 3 per cent sales tax imposed on retail sales; wholesale transactions are not taxed and businesses having gross quarterly sales of less than \$250 are exempt.

EXPORT TAX - Levied on export of precious metals up to 15 per cent of the value of such metals.

LICENSE FEES - Issued to all individuals, corporations, associations and professional people engaged in business, at varying rates.

REAL ESTATE TAX - One half of one per cent of the assessed value of buildings and improvements on land and at variable rates on the land itself. (Aliens may not own land in Liberia but may own buildings on Liberian owned land).

TRANSPORTATION TAX - A \$25 annual fee for all passenger cars and

from \$50 to \$200 for trucks according to tonnage.

VESSEL REGISTRATION AND TONNAGE FEES - Liberia has legislation which enables foreign vessels to be registered under the Liberian flag. Since 1953, Liberia has registered the largest number of vessels of any nation in the world. Registration charge is \$1.20 per net ton and annual taxes of \$0.100 per ton are due on January 1 of each year. These fees are the only ones applicable to shipping enterprises and are guaranteed not to change for a period of twenty years after the date of initial registration. Vessels of less than 20 tons, engaged only in domestic commerce of Liberia, are not required to be registered under the law.

STAMP TAXES - Stamps of small amounts are required on certain types of documents including deeds, powers of attorney, bills of exchange, etc.

LUXURY TAX - A tax levied on liquors, cigarettes, other tobaccos, perfumes, jewelry, watches and clocks, etc. came into effect in 1949.

The Liberian Government at the opening of 1955 showed a cash balance of \$1,018,319 and a public debt totaling \$6,342,485. As of December 31, 1955, the government's cash position was \$1,240,624 and the public debt amounted to \$7,948,000. At the end of 1956 the government's cash position had improved with a cash balance of \$1,504,354, although its public debt had risen to \$10,888,110. Thus, over a period of two years, its cash position improved by \$486,035, while the public debt increased by \$4,545,000.

The \$10,888,110 in public debt at the end of 1956 consisted of the following amounts:

(1) External debt of \$4,751,364 of which \$3,985,950 was due the EXIM Bank and \$792,414 due to the United States Government for reimbursable military aid.

(2) Internal debt of \$6,136,745 composed of \$3,387,708 in short-term notes due the Bank of Monrovia; \$451,200 due to a construction firm for work on the Capitol, \$955,038 due on harbor construction; \$950,000 due on road construction; and \$392,799 due the Firestone Plantations Company as an income tax refund.<sup>1</sup>

Despite the large increases in government revenue over the last few years, government expenditures and debts are increasing at a more rapid rate. This tends to indicate a need for tighter budgetary controls.

A look at Table 2 will reveal that since 1939, with two notable exceptions, 1940 and 1952, the trend in receipts to the government has been upward. The reason for the decline in 1940 in receipts can be attributed to the decline in Liberian exports to Germany which was then at war. Once again in 1952, there was a decline as compared to the previous year. This time the decrease was due to the great slump in world rubber prices during 1952. Since a large amount of the receipts to the Liberian Government comes from the income tax, since 1951, paid by Firestone, it is only natural that the decline in rubber prices would ultimately affect the receipts of the government. As mentioned before, the big jump of from 3.9 million in receipts in 1950 to 12.8 million in 1951 was due largely to the beginning of the income tax collections and the beginning of exports of iron ore by the Liberian Mining Company (Republic Steel).

Due to the lack of adequate information on government expenditures it is impossible to determine why governmental expenditures exceeded receipts almost consistently between 1948 and 1954.

The official importing agency for the dollar supply of Liberia is the

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<sup>1</sup>Ibid., p. 8.

Bank of Monrovia, which until 1955 was a subsidiary of the Firestone Tire and Rubber Company, and which now is an affiliate of the First National City Bank of New York. The net amount of dollars imported into Liberia by the Bank of Monrovia up to December 31, 1956 was \$11,852,956. No statistics are available on the dollar amounts brought in or taken out by travelers.

The three principal banking institutions in Liberia are: the Bank of Monrovia; the Bank of Liberia (Swiss-Liberian controlled), and the Liberian Trading and Development Company, known as TRADEVCO (Italian controlled).

The Bank of Monrovia, discussed above, also operates as the official depository for the Liberian Government.

TRADEVCO, created in 1955, appears to be controlled exclusively by Italians. Its announced purposes are to provide general banking facilities to the local business community, and to stimulate trade between Liberia and Europe, especially Italy. The bank opened its doors on January 1, 1956 and offers similar services as those offered by the two aforementioned banks, including discount rates identical to those offered by those two institutions. The operators of TRADEVCO have set as their goal assets totaling \$3,000,000.

The Bank of Liberia, established in 1954 as the Liberian Savings and Loan Corporation is the third important banking institution in Liberia. It was the first bank established in Liberia by Liberians. By the spring of 1955, it became apparent to the board of directors of the institution that a lack of operational know-how of such an institution was handicapping its development. The board, therefore, turned to non Liberian interests, namely the Swiss-Liberian Finance Corporation of Geneva, Switzerland. The charter for the Liberian Savings and Loan Corporation was withdrawn and by an act of legislation, dated July 19, 1955, it was replaced by a charter creating the

Bank of Liberia.

The principal changes effected by this reorganization included the subscription of the full amount of the authorized capitalization of the bank (\$100,000), control of 47 per cent of the bank's stock by the Swiss-Liberian Finance Corporation and the advancement of a \$2,000,000 line of credit, probably from the Swiss-Liberian Finance Corporation.

Another change was that the board of directors was enlarged to permit two Europeans to sit thereon, and the position of Senior Vice-President was created to enable the European interests to participate in the day-to-day operations of the bank. A Swiss national joined the bank to fill this position in the fall of 1955.

According to WTIS Economic Report No. 57-58, in order of their importance in the economy of Liberia, the banks are listed thus: (1) Bank of Monrovia; (2) the Bank of Liberia; and (3) Liberian Trading and Development Company.

Many Liberians urge the establishment of a credit institution which will extend credit primarily to Liberians interested in entering small enterprises. Some influential Liberians believe that none of the banks listed above follow commercial banking practices which encourage Liberians to engage in commercial activity. As a result, an expert was engaged to make an analysis of local credit facilities in Monrovia. His report indicated a need for such facilities. His view was that one of the chief functions of a credit institution in Liberia would be to advise Liberians about commercial opportunities, about organizing and running small businesses, and about using most effectively the credit that would be extended to them.

In August of 1956, the government authorized the establishment of the

Agricultural Credit Corporation, which is authorized to extend credit to small Liberian farms. At this writing, the corporation had not been formed. However, a step in the direction of strengthening credit transactions was taken in the 1957 session of the National Legislature when a law was enacted which authorizes a German insurance company to sell insurance relative to commercial transactions. These and other developments indicate that Liberians are becoming aware of their own needs and that they are beginning to look at the problem of obtaining greater credit facilities through their own efforts.

Internal trade is carried on by various techniques, including simple barter, trading posts in the hinterland and trading firms located mainly in the larger coastal cities which have stores dealing in wide varieties of goods.

There are no known advertising agencies. The only known media available for advertising are newspapers and radio stations.

Commercial credit is provided by the Bank of Monrovia and the Bank of Liberia. Interest rates on loans are from 5 to 6 per cent.

Three noteworthy developments have occurred in Liberia's foreign trade during the past eighteen years. The first concerns the dramatic increase in total volume of foreign trade.<sup>1</sup> Secondly, the dominant role that rubber plays in Liberia's foreign trade. In 1953, rubber accounted for 70 per cent of the total value of all exported commodities.<sup>2</sup> At its all-time high in 1950, rubber accounted for nearly 97 per cent of the total exports. The subsequent decline percentage-wise to 70 per cent is due to the decline in rubber prices and the commencement of exportation of iron ore in 1951.<sup>3</sup>

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<sup>1</sup>See Table 3, p. 52.

<sup>2</sup>See Table 4, p. 53.

<sup>3</sup>U. S. Department of Commerce, Basic Data on Economy of Liberia, p. 11.

TABLE 3

VALUE OF FOREIGN TRADE, 1939-1956  
(in thousands of U. S. Dollars)

Year	Total Trade	Exports	Imports	Balance of Trade
1939	4,816.0	2,813.1	2,002.9	810.2
1940	5,549.2	3,313.2	2,236.0	1,077.2
1941	8,279.8	4,987.8	3,292.0	1,695.8
1942	10,736.3	6,792.8	3,943.7	2,848.9
1943	12,947.1	8,962.1	3,985.0	4,977.1
1944	13,327.9	10,306.3	3,021.6	7,284.7
1945	14,888.8	11,341.9	3,546.9	7,795.0
1946	16,989.8	12,312.9	4,676.9	7,636.0
1947	21,848.9	13,086.0	8,762.9	4,323.1
1948	24,575.7	15,820.9	8,754.8	7,066.1
1949	23,670.7	15,506.7	8,164.0	7,342.7
1950	38,207.6	27,634.7	10,572.9	17,061.8
1951	69,274.1	52,132.6	17,141.5	34,991.1
1952	55,303.5	37,156.3	18,147.2	19,009.1
1953	49,723.5	30,998.3	18,725.2	12,273.1
1954	49,101.6	26,378.1	22,723.5	3,654.6
1955	68,804.7	42,839.8	25,964.9	16,874.9
1956	71,337.0	44,537.8	26,799.2	17,738.6

Source: Department of Agriculture and Commerce, Bureau of Statistics, Republic of Liberia FT Report, 1956, Vol. 4, No. 1.

TABLE 4

VALUE AND QUANTITY OF EXPORTS BY COMMODITY, 1953-1956  
(Value in thousands of U.S. Dollars; Quantity in thousands)

	Unit of Quantity	1953		1954		1955		1956	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
All Commodities			30,998.3		26,478.1		42,839.8		44,537.8
Rubber	lb	81,219.3	21,110.3	80,947.7	18,728.0	88,780.8	33,041.8	99,040.9	30,256.7
Iron Ore	long ton	1,377.9	5,815.4	1,238.5	4,364.9	1,716.9	6,728.0	2,027.4	8,140.6
Palm Kernel	lb	34,981.7	1,875.9	24,516.3	1,155.1	21,122.9	1,000.6	22,003.3	1,013.7
Piassava	lb	7,302.5	299.5	3,609.1	187.0	5,745.6	272.5	4,451.3	201.8
Coffee	lb	908.7	248.7	801.4	231.3	735.7	226.7	1,052.9	333.4
Cocoa	lb	596.4	149.1	1,463.2	431.6	1,058.9	314.8	1,007.5	263.1
Diamonds	carat	0.5	3.8	125.3	506.1	208.5	617.5	1,025.0	2,436.1
Other Commodities		-	1,495.6	-	774.1	-	637.9	-	1,892.4

Source: Foreign Trade Supplement FT Report, Volume 4, No. 1, by Department of Agriculture and Commerce, Bureau of Statistics, Republic of Liberia.



Thirdly, with the economic recovery of western Europe, the dominant position in trade which has been maintained by the United States is beginning to shift to the former area, notably West Germany and Belgium.<sup>1</sup> In this regard, from 1941 to 1952, the United States received 90 per cent or more of Liberia's exports, in 1953; however, the United States only accounted for 73.7 per cent.<sup>2</sup>

In addition to rubber and iron ore, Liberia exports a number of agricultural commodities. Foremost among these are palm kernel, piassave, cocoa, and coffee.

Of Liberia's nearly \$26,000,000 in imports, in 1955 almost 28 per cent were manufactured goods, the largest portion of which were cotton and other fabrics. Second in line with 24 per cent were machinery and transportation goods. Food was third at 13.1 per cent, followed by miscellaneous manufacturers at 10.7 per cent; mineral salts at 8.4 per cent and chemicals at 7.9 per cent. The significant increase in the value of imports since 1951 is a reflection of the increased government revenues.

In relation to the international flow of goods a "favorable balance of trade" exists when there is an excess of merchandise exports over merchandise imports, and "unfavorable balance of trade" when there is an excess of imports over exports.<sup>3</sup>

Usually an unfavorable balance of trade will indicate an outflow of funds from a country in the form of payment for the excessive imports. Either that or the country with the unfavorable balance of trade has to have credit extended to it by the countries from which it has to import. Plainly,

<sup>1</sup>See Table 5, p. 55.

<sup>2</sup>See Table 6, p. 56, and WTIS 55-58, p. 11.

<sup>3</sup>Laurence Towle, International Trade and Commercial Policy (New York, 1947), p. 55.

TABLE 5

VALUE OF EXPORTS BY COUNTRY OF DESTINATION, 1953-1956  
(in thousands of U.S. Dollars)

Country of Destination	1953	1954	1955	1956
All Countries	30,998.3	26,378.1	42,839.8	44,537.8
United States	25,625.7	22,129.4	37,216.6	35,393.6
Netherlands	3,065.4	1,942.2	2,277.1	2,188.7
United Kingdom	1,105.9	771.3	850.0	1,276.4
West Germany	350.1	623.6	1,566.7	2,062.8
Canada	315.4	244.8	242.3	130.3
Belgium	38.1	56.1	300.8	1,903.9
France	23.4	22.3	12.9	2.2
Other Countries	474.3	588.4	383.4	1,579.9

Source: Department of Agriculture and Commerce, Bureau of Statistics,  
Republic of Liberia Foreign Trade Supplement FT Report, 1956,  
Volume 4, No. 1.

TABLE 6

PER CENT DISTRIBUTION OF EXPORTS BY COUNTRY OF  
DESTINATION, 1953-1956

Country of Destination	1953	1954	1955	1956
All Countries	100.0	100.0	100.0	100.0
United States	82.7	83.9	86.9	79.5
Netherlands	9.9	7.4	5.4	4.9
United Kingdom	3.6	2.8	2.0	2.9
West Germany	1.1	2.4	3.6	4.6
Canada	1.0	0.9	0.6	0.3
Belgium	0.1	0.2	0.7	4.3
France	0.1	0.1	(1)	(1)
Other Countries	1.5	2.2	0.9	3.5

(1) less than 0.1 per cent

Source: Department of Agriculture and Commerce, Bureau  
of Statistics, Republic of Liberia Foreign  
Trade Supplement FT Report, 1956, Volume 4,  
No. 1.

this cannot continue to exist for an indefinite period or the country affected will surely face a financial crisis. From Table 2, p. 44, it can be seen that since 1939, Liberia has enjoyed a favorable balance of trade. Without the influence of rubber exportation and, lately, the exportation of iron ore, it is doubtful that balance of trade would have been favorable during any of the years covered by the available statistics.

While the balance of trade has been favorable, the balance of international payments situation for the years for which statistics were obtained does not give the same picture.<sup>1</sup>

A comprehensive statement which shows all inward and outward payments to be made across a nation's boundaries is known as a "balance of international payments."<sup>2</sup> Commonly credits refer to inflow of payments while debits refer to the outflow of payments. If a country has a debit balance, it would mean that the net flow of funds has been out of the country while a credit balance would mean a net flow of funds into the country.

For the years studied here and as indicated in Table 7, p. 58, there were net debit balances for both years. The reader's attention is called especially to Item No. 6, in Table 7, which shows the amount of returns on investment made by foreign interests which were taken out of the country during the two years.

On the credit side there were significant amounts of private capital invested in Liberia (Section C) evidently in anticipation of future investment income to be realized.

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<sup>1</sup>The writer was only able to obtain statistics on the balance of payments for the years 1955 and 1956. No data have been provided to the International Monetary Fund for the years prior to 1953. The years 1954-1955 appeared in Volume 8 of the IMF Yearbook, a copy of which the writer could not obtain. Table 7, included in this study, therefore, has information for half of the four years for which data are available.

<sup>2</sup>Towle, op. cit., p. 56.

TABLE 7

LIBERIA BALANCE OF INTERNATIONAL PAYMENTS  
1955 and 1956  
(In thousands of U.S. dollars)

	1955		1956	
	Credit	Debit	Credit	Debit
A. Goods and Services	49,974	53,937	48,651	60,423
1. Merchandise f.o.b.	42,294	25,935	42,888	20,681
2. Monetary gold	160	• • •	73	• • •
3. Foreign travel	2,375	753	1,269	632
4. Transportation	2	1,928	2	1,971
Freights on imports	• • •	1,765	• • •	1,818
Other	2	165	2	153
5. Insurance	• • •	252	• • •	264
6. Investment income	• • •	24,229	• • •	30,150
7. Government, n.i.e.	2,374	840	2,358	725
8. Miscellaneous	2,769	• • •	2,061	• • •
NET GOODS AND SERVICES	• • •	3,963	• • •	11,772
B. Donations	1,208	• • •	2,292	• • •
9. Private	1,099	• • •	1,872	• • •
10. Official	109	• • •	420	• • •
NET DONATIONS	1,208	• • •	2,292	• • •
NET TOTAL (1 through 9)	• • •	2,864	• • •	9,900
NET TOTAL (1 through 10)	• • •	2,755	• • •	9,480
C. Capital and Monetary Gold	9,673	• • •	21,457	• • •
Private, excluding banks	9,218	• • •	20,383	• • •
11. Long-term liabilities	9,218	• • •	20,383	• • •
12-14. Assets and short-term liabilities	• • •	• • •	• • •	• • •
Official and Banking Institutions	455	• • •	1,074	• • •
15. Long-term liabilities	615	• • •	1,147	• • •
Export-Import Bank Loans received	750	• • •	1,370	• • •
Repayments on Export-Import Bank loans	• • •	135	• • •	223
16-18. Assets and short-term liabilities	• • •	• • •	• • •	• • •
19. Monetary gold	• • •	160	• • •	73
NET ERRORS AND OMISSIONS	• • •	6,918	• • •	11,977

See notes on following page.

Source: International Monetary Fund Balance of Payments Yearbook, Ninth Edition, April, 1958.

## NOTES TO TABLE 7

The table is based on data provided to the Fund by the Bureau of Statistics of the Department of Agriculture and Commerce of Liberia. Transactions of the foreign-owned fleets operating under the Liberian flag are not included in the table. The Liberian merchant fleet does not actually form a part of the economy of Liberia, since the individuals or companies that own the ships are residents of other countries and the only income Liberia derives from the fleet is in the form of taxes and registration fees.

Details of some of the entries are given in the following notes.. The figures are expressed in thousands of U. S. dollars.

Item 1: The credit entries cover the trade returns figures for exports f.o.b. (42,840 for 1955 and 44,538 for 1956) less an adjustment for personal effects (546 for 1955 and 1,650 for 1956). The debit entries cover the trade returns figures for imports f.o.b. (25,965 for 1955 and 26,799 for 1956) less an adjustment for personal effects (30 for 1955 and 7 for 1956) and banknotes (111 for 1956). See also note to item 10. The trade returns figures are shown in the table on World Trade in IFS..

Item 2: The entries cover sales of newly mined gold to the monetary authorities (see note to item 19).

Item 3: The credit entries cover expenditures in Liberia of foreigners traveling on business. The debit entries cover expenditures abroad by Liberian students (497 for 1955 and 488 for 1956), government officials (246 for 1955 and 10 for 1956, and businessmen (10 for 1955 and 44 for 1956).

Item 4: The credit entries for other transportation cover port and harbor dues, and the debit entries cover passenger fares.

Item 5: The entries cover insurance on imports.

Item 6: The entries cover profits of foreign firms operating in Liberia (24,096 for 1955 and 29,834 for 1956) and interest paid on loans (133 for 1955 and 316 for 1956).

Item 7: The credit entries cover foreign diplomatic expenditures (1,003 for 1955 and 603 for 1956), vessel registration fees and tonnage taxes (1,100 for 1955 and 1,444 for 1956), and consular fees (271 for 1955 and 311 for 1956.) The debit entries cover diplomatic expenditures (765 for 1955 and 647 for 1956), contributions to international agencies (66 for 1955 and 70 for 1956), and consular fees (9 for 1955 and 8 for 1956).

Item 8: The credit entries cover rentals and other expenditures in Liberia by nonresident companies.

Item 9: The entries cover institutional remittances.

Item 10: The entries are the counterparts of those imports under U. S. and UN aid programs that are included in item 1, debit. According

to U. S. official sources the total values of goods and services furnished by the United States under aid amounted to \$1,697,000 for 1955 and \$1,408,000 for 1956. Data on the total value of aid provided under UN programs are not available.

Item 11: The entries cover increases in foreign direct investment in Liberia.

Item 19: The entries cover purchases of newly mined gold from the public by the monetary authorities (see note to item 2).<sup>1</sup>

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<sup>1</sup>"Liberia," International Monetary Fund Balance of Payments Year-book, Ninth Edition, April, 1958, Liberia--page 2.

Obviously, two years data are not sufficient to establish a trend, however, the writer believes that, were data available for the past twenty years, that the debit balance in the Investment Income item (A-6) would exceed the credit balance in the private capital item (C-11, 12) by more than enough to be called a just return on invested capital.

A word about the government's policy on investment might help in the understanding of the flow of investment capital into Liberia and the flow of income on investment out of the country.

The government of Liberia, in recognition of the need for foreign capital investment to develop the country's economic resources has traditionally followed a policy aimed at maintaining a favorable investment climate. The government has attempted to remove as far as possible legal barriers and burdensome restrictions on new investment capital and has in the past offered specified inducements to the entry of foreign investment funds. Among these are tax concessions or exemptions designed to enable companies to recover a portion of their capital investment.<sup>1</sup> Also, certain exemptions from import duties may be allowed for materials and equipment needed in the operation of a concession.

A stable government, the absence of burdensome restrictions and a "reasonable" tax system have all helped to make Liberia attractive to foreign investment capital.

It seems reasonable to assume that, if Liberia continues this "open door" policy, that investment capital will continue to flow into the country at a rapid pace as long as there remain resources to be developed.

The writer hopes, and will state his reasons for these hopes later,

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<sup>1</sup>See page 43.



that in the near future the make-up of Liberia's economy will be such that she no longer will have to appeal to outside capital for development of her resources as she now has to do.

## CHAPTER IV

### BLOCKS TO ECONOMIC PROGRESS

To this point, this study has attempted to present important facts one would need to know in order to have an understanding of the past development and the present structure of the Liberian economy. The present chapter poses the basic problems confronted by the Liberian economy today.

Economic progress will not occur unless the atmosphere is favorable to it. The people of a country must desire progress, and their social, economic, legal and political institutions must be favorable to it. Also, economic progress will not be desired in a community where the people do not realize that progress is possible.

Even where people know that a greater abundance of goods and services is possible, they may not consider it to be worth the effort. Lack of interest in material things or a relative preference for leisure both contribute to slow down economic progress.

In the writer's judgment, in a country such as Liberia, where the concentration of economic and political power is in the hands of a small class, whose main interest is the preservation of its own wealth and privileges, economic progress will remain greatly retarded until such time as a social change has come about and there is a shift in the distribution of income and power. Thus, it is the writer's opinion that the foremost hindrance to economic progress in Liberia is the division between the ruling descendants of the settlers and the great majority--the tribal peoples.

An agricultural economy, such as that found in Liberia must have

the advantages of improved technological knowledge if the economy is to advance from the agricultural stage to an industrial one. In order even to introduce the relatively simple agricultural improvements to the masses, there is need for a well-qualified staff of technicians to reach and teach the farmers. Unless the agricultural system is improved beyond the subsistence level so that capital might be accumulated from the sale of the products of the improvements, there can never be a transformation from an agricultural economy to an industrial one. Most Liberian farmers are too poor even to buy the relatively inexpensive producers goods such as improved seeds, fertilizers and insecticides.

It is commonplace that economic progress is a function, among other things, of the rate of new capital formation. In most countries where rapid economic progress is occurring, net capital formation at home is at least 10 per cent of the national income, and in some it is substantially higher. By contrast, in most under-developed countries, new capital formation is not as high as 5 per cent of the national income, even when foreign investment is included. In many of these countries, the savings have been sufficient only to keep up with population growth, so that only a negligible amount of new capital, if any, has actually become available for increasing the average standard of living. How to increase the rate of capital formation is, therefore, a question of great urgency.<sup>1</sup>

The main source of increased domestic capital formation is savings. In Liberia where the wage structure is so low and many of the citizens are not even wage earners, it is easy to see why the rate of savings is very low. Since capital is scarce in Liberia, and the writer assumes that it follows that the real rate of return on investment is high, it seems unfair that the banks only offer rates of about 3 per cent, certainly no great inducement to potential savers.<sup>2</sup>

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<sup>1</sup>United Nations Department of Economic Affairs, Measures for the Economic Development of Under-Developed Countries (New York, May, 1951), p. 3.

<sup>2</sup>In a conversation with Mr. Romeo Horton, President, Bank of Liberia, in December, 1957, the writer was informed that the rate of interest at his institution was usually 2 to 3 per cent on savings.

It seems probable that a large part of the new capital made available to Liberia has passed through the hands of the government, especially in the form of duties on exports. Though lack of information concerning governmental expenditures prevents substantiation of this contention, the writer nevertheless thinks it quite possible that too large a part of this available capital has been used to finance public undertakings, while private enterprise in Liberia remains relatively starved for capital. Admittedly, there is a great need in Liberia for public undertakings, still, there is just as great a need for extra capital in the hands of small farmers and in the small manufacturing sector.

In a country such as Liberia where there is no actual labor surplus, industrialization must wait upon agricultural improvement. This is true because industry should receive only those persons whose labor is no longer required in the production of food. The improvement of agriculture and the development of industry go hand in hand; however, with the improvement of agriculture getting the prior urgency. Thus, the conclusion may be drawn that the problem in Liberia is not to choose between developing agriculture or developing industry; both must be pursued.

A further hindrance to the agricultural improvement, as mentioned earlier in this study, is the lack of adequate roads into the interior whereby the surpluses not needed on the subsistence level by the natives might find their way into the exchange economy.

Since the incumbency of President Tubman, the Liberian Government has pursued what is known as "The Open Door Policy." In discussing the policy, President Tubman said:

...the nation adopted and observed the policy of allowing an initial period of exemption from certain types of taxes, for

limited periods, in order that a part of initial investment might be recovered. It has also maintained freedom of capital; there are no restrictions on the transfer or withdrawal of dividends and profits, nor in confiscatory taxation, constricting restrictions, strangulation or expropriation of foreign capital investment.<sup>1</sup>

While the benefits derived from the pursuit of this policy by Liberia are too numerous to enumerate within the scope of this study, suffice it to be said here that the "Open Door Policy" has encouraged tremendous amounts of foreign capital investment in Liberia.

There are several potential dangers arising from this situation. First, there is the danger of foreign control of important sectors of the economy. Nearly monopolistic control of the rubber and iron ore exports by foreign concerns in Liberia testify to this. Second, the cost of foreign private capital is very often too high. For example, the rate of return on United States foreign investments in 1948 was about 17 per cent, while the rate of return on United States domestic investments was about 14 per cent.<sup>2</sup> If, on the one hand, "The Open Door Policy" succeeds in drawing the needed capital and on the other hand, the returns to the foreign investors are extremely high, there exists a situation unfavorable for maximum economic development within Liberia. It seems odd that the policy of "Liberia for Liberians" which limits land ownership to Africans or descendants of Africans does not also seek to prevent exploitation of the nation's resources, derived from the land.

With the wage structure as it is in Liberia, there is very little purchasing power. Demand for consumer goods above the subsistence level is non-existent in many sectors of the country. With the shortage of labor,

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<sup>1</sup>Anderson, op. cit., p. 2.

<sup>2</sup>United Nations Department of Economic Affairs, op. cit., p. 81.

it would seem that the wage increases would at least keep up with the rises in the cost of living. The writer feels that wages remain low primarily because to raise the minimum would increase the cost of labor to foreign concerns, thus the appeal of low cost to the investor would lose some of its affect.

In the writer's opinion, a multitude of the blocks to economic progress in Liberia arise out of three basic factors: (1) The division between the so-called "Americo-Liberians" and the indigenous Liberian African native tribes; (2) insufficient attention to the development of the agricultural section of the economy; (3) lack of means for capital formation for development within the economy.

## CHAPTER V

### A PLAN FOR PROMOTION OF FUTURE GROWTH AND DEVELOPMENT

It is hoped that the reader has been made aware of the great strides forward which have been and are being made by the Liberian economy. However, it is important also to realize that there is need for much improvement in many areas of the economy.

Relations between the two parts of the population are changing. In the early days, the tribal people were viewed by the descendants of the settlers with a mixture of contempt for their primitive way of life and of fear of their numbers and potential power. They were not really recognized in the organization of government. Economically, they were regarded as no more than a source of cheap or unpaid labor and of such taxes as could be levied against those within reach of the government's authority. No provisions were made for their education, improvement of their health conditions, or economic development. For all practical purposes, they were treated as a subject people and not as members of the Liberian nation with the rights and privileges pertaining thereto.

This attitude began to change at the beginning of the twentieth century. A discussion of the arrangements to bring the tribal society into the government is a part of Chapter I.

The greatest progress, however, has been made since the election of President Tubman in 1943. He follows what he calls the "unification policy"--that is the gradual integration of the tribal people into the political, economic, and social life of the country and aims at their eventual participation as full and equal citizens.

This policy is based upon recognition of the fact that it would be neither desirable nor practicable to attempt to dissolve the tribal society rapidly and to expect the tribal people to assume quickly the rights and obligations of the Liberians.

To dissolve the tribal element too rapidly or too brutally would expose the whole country to the social disorders and mass irrationalities arising from a widespread sense of rootlessness and a lack of a feeling of belonging. Also, as a practical matter, Liberia is not economically able nor does it have the political and social experience required to provide quickly the necessary new frameworks of order and meaning for large numbers of tribal people.

The primary aims of the unification policy are to overcome the serious deficiencies of the existing tribal society and to provide its members with the minimum qualifications necessary to participate effectively in the economic and political life of the country. Acceptance of these limited objectives means that, for the time being, the government has had to reconcile itself to continuation of many tribal customs which it disapproves. For example, polygamy, the secret society, debtor servitude, local government by the hierarchy of chiefs, etc. Over the longer period, it is hoped that these and other tribal institutions and customs will die out as the unification policy produces results and as Liberian economic and political development progresses.

As roads are developed into the hinterlands, and more intimate contact with the tribal people becomes possible, the process of unification is expected to speed up.

It has been mentioned before in this study that the economy of



Liberia is essentially agricultural in nature. It naturally follows that if Liberia is to advance economically, there must be improvement in the agricultural sector of the economy.

As agricultural development proceeds, manpower shifts from agricultural into manufacturing industry, because technical progress makes it possible for the populations to be fed from the labors of a smaller and smaller proportion of itself. The labor thus released move from agriculture into other occupations.<sup>1</sup>

The measures needed to bring about improvements in agriculture cover a wide range and include irrigation, soil conservation measures, use of fertilizers, mechanization, systems to improve methods of cultivation and rural education. Admittedly, Liberia has to look outside of its boundaries for help in this situation. A good example of the type of aid available through the United Nations Organization is the Food and Agriculture Organization (FAO), a most valuable potential source of outside help in the development of agriculture in Liberia. The purposes for which FOA was formed include:

raising levels of nutrition and standards of living of the peoples under their respective jurisdictions,  
 securing improvements in the efficiency of the production and distribution of all foods and agricultural products,  
 bettering the conditions of rural populations and thus contributing toward an expanding world economy,  
 to furnish such technical assistance as governments may request,  
 to organize, in cooperation with the governments concerned, such missions as may be needed to assist them to fulfill the obligations arising from their acceptance of the recommendations of the United Nations Conference on Food and Agriculture; and,  
 generally, to take all necessary and appropriate action to implement the purposes of the Organization.<sup>2</sup>

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<sup>1</sup>United Nations, op. cit., p. 21.

<sup>2</sup>United Nations Department of Economic Affairs Division of Economic Stability and Development, Technical Assistance for Economic Development Available Through the United Nations and the Specialized Agencies (New York, 1948), p. 21.

The government of Liberia is doing a creditable job in its efforts to improve the organization of Liberian agriculture. Among the things being done are the introduction of new methods of production, the introduction of new planting stock, and experimentation of all types. Technicians from the United States Operations Mission and the Food and Agriculture Organization of the United Nations are assisting the Department of Agriculture and Commerce in planning and in executing the various aspects of the program to raise Liberia's agriculture from a primitive subsistence level to an efficient commercial level of extensive agriculture. The writer predicts that the success of the program will become evident in the next few years as the volume, variety and quality of the agricultural products of Liberia improve.

The policy of the government of Liberia is gradually to encourage the diversification of agriculture from one crop (rubber). At present, the efforts seem to be toward the diversification of the tree crops, especially coffee, cocoa, and palm kernels. The government, through its extension nurseries has distributed young coffee and cocoa plants to young Liberian farmers throughout the country.

To speed up its policy of diversifying its agriculture and increasing production, the government created the National Production Council (NPC) in August, 1956.<sup>1</sup> As the name suggests, the Council is concerned with all aspects of economic production, but its emphasis has been upon expanding agricultural production.

The Council is composed of twelve high government officials and prominent Liberians, representative of labor, industry, and commerce. In 1956, the Council planned to set minimum production quotas for each crop,

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<sup>1</sup>Department of Commerce, Economic Developments in Liberia 1956, p. 2.

guarantee loans, and arrange for warehousing, transportation, marketing, grading, and publicity of domestic products of Liberia. No information is available at this writing concerning the success of this program.

It is evident that Liberia is attempting to expand its agricultural economy as fast as possible within its limitations.

Because of the lack of knowledge of the value of crop rotation, soil exhaustion is already a problem in parts of Liberia. In the areas in which there is an outflow of laborers going to work for foreign concerns, agriculture is adversely affected. This situation makes urgent the adoption of measures to reduce the outflow of labor by increasing opportunities for earning money within the indigenous agricultural economy.

In the process of economic development it is to be expected that an increasing proportion of resources will move from agriculture into local industry both for consumption and for capital formation. The rate at which such a shift of resources can take place depends in a large degree upon the rate at which increase in the productivity of agriculture can be achieved.

Associated with economic growth is an increase in capital per head. It should be understood, however, that capital is not the only requirement for growth and if capital is made available without there being at the same time a suitable framework for its use, it will go to waste.<sup>1</sup> The discussion which follows will deal with possible methods of capital formation open to Liberia. The first section deals with the domestic problem.

The first possibility dealt with is that of financing part of the required capital formation by using the gold and currency which lie in the

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<sup>1</sup>W. Arthur Lewis, The Theory of Economic Growth (Homewood, Illinois, 1955), p. 201.

hoards of private individuals within the country. The National Planning Association, in its study of the Firestone operations in Liberia, stated in essence that often native Liberians go to work for Firestone in order to build up a cash reserve sufficient to achieve desired goals, perhaps to buy a truck or to obtain the "bride price."<sup>1</sup> If these reserves could be channeled into institutions which might put them to work, it would prove beneficial to both the individual and the economy as a whole. Due to the low income of the average wage earner in Liberia, however, it is doubtful that these hoards could provide the economy with any significant amount of funds.

The principal alternatives to cash are bank deposits, bonds and other obligations, precious metals and fixed (investment) assets. There is no doubt that it is desirable for an under-developed country to encourage saving in the form of savings accounts, ordinary bank deposits, bonds and other financial instruments while at the same time it is important to discourage the private holdings of precious metals or of certain types of fixed assets which the low income people could very well postpone; i.e. luxury apartment buildings, amusement parks and the like.

The writer feels that there is an urgent need in Liberia for the type of financial institution which will encourage entrepreneurship on the part of the native Liberians.

For many reasons there as of yet, very few Liberian businessmen. In part, this is due to the particular stage of Liberia's economic and social development. Business opportunities and knowledge are still limited; capital accumulation in the hands of private individuals is

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<sup>1</sup>Bride price: customary payment to family of the bride when the daughter is taken in marriage.

relatively scarce; economic risk taking is an unfamiliar experience to Liberians and mutual confidence is one another's business judgment and financial integrity is largely lacking.<sup>1</sup>

Politics, government service, and the legal and teaching professions still tend to be regarded as the most worthwhile occupations and conspicuous consumption absorbs the largest portion of the accumulated incomes. To the extent that private Liberian investment occurs, it is still mainly in agriculture, in housing, and in foreign securities, principally American. Recently, however, some of the younger Liberians, mostly foreign educated, have begun to invest in commercial adventures--banking, fishing, and small manufacturing.

As a consequence of this situation, the commercial life of the country is almost completely in the hands of the Lebanese, in whose small retail shops, located in every town and village, the Liberians work as clerks.<sup>2</sup> Generally, the Lebanese do not become permanent residents of Liberia, but return to their native land after accumulating enough money to purchase a farm or business at home. All significant plantation, mining, manufacturing, and shipping enterprises have been started and are owned and managed by either American and European companies or by the Liberian Government itself.

Nevertheless, many Liberians, particularly those who are well educated, are intensely interested in economic advancement and are eager to see their country benefit from development of its natural resources and improvement of its productivity.

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<sup>1</sup>National Planning Association, op. cit., p. 19.

<sup>2</sup>Ibid., p. 20.

The writer feels, then, that a step in the right direction would be the increasing interest on the part of Liberians in financial institutions which would encourage and aid Liberians in the establishment of their own commercial enterprises.

Presently, the types of commercial activities most suited to investment by Liberians, in the writer's opinion, are those which do not call for large initial capital outlays nor for much purchasing power on the part of the potential customers.

The writer suggests that service establishments such as barber or beauty shops and auto repair garages present logical choices for investment by "business-minded" Liberians. Small retail establishments dealing in food, clothing, or hardware would also seem to offer attractive possibilities.

For the smaller cities and towns, the writer feels that groups of Liberians, by pooling their resources, could very well open up general stores to supply most of the basic necessities for the local population.

Certainly, the Liberians who now work as clerks for the Lebanese can gain enough managerial knowledge to operate their own establishments. Once again, the need for financial institutions to extend credit to those establishing businesses becomes apparent.

Another source of capital open to the Liberian economy is taxation. This could be brought about by stiff taxes on luxury items which would cut down on conspicuous consumption and thus make available more funds for savings or investment. While this method might not be a means of obtaining any great amounts of capital, it has its effect in gaining the confidence and cooperation of the low and middle income groups for its development program.

The government could encourage communities to undertake their own projects such as schools or roads. In doing so, the government could help cover part of the costs and at the same time stimulate interest in the local development through the use of resources which would otherwise be idle. Any means of arousing the enthusiasm of the masses of the people and of stimulating them to want further improvement is strongly to be supported.

In Liberia's present stage of economic development, even if the domestic finances were efficiently mobilized and directed to productive investment, it would not be enough to produce a satisfactory rate of economic development. The addition of outside financial resources, therefore, is, and will be, a necessary and a substantial feature of the future economic development of Liberia.

Private direct investments have played and will continue to play a predominant role in the financing of economic development in Liberia. These private direct investments have several distinct advantages for Liberia. One of them is the combination of capital, technology and managerial skill which is brought into the economy. Direct investment is flexible in that it allows for varying degrees of participation with local capital. Another advantage, from the balance of payments point of view is that direct investments do not create a fixed burden of outpayments in times of declining activity and trade.

On the other hand, private direct investments are attracted to those areas for which there is a market for the products or raw material thus obtained. It does not necessarily follow that market demand will lead to a balanced all-round development. Only where there is a possibility of

producing for export to the world market, or for a particular foreign market is there special inducement to the foreign investor. Good examples of these are the rubber and iron ore producing concerns which have major concessions in Liberia and produce mostly for the American market.

Certainly national policies as exemplified in "The Open Door Policies" of the government offer no hindrances to the foreign private investor.

While the writer feels a need for general tightening of the terms by which foreign investors may enter Liberia, he also feels that until the economy has developed to a much larger degree it will still need to look to outside direct investment as a primary source of capital.

A second source of outside capital to the economy of Liberia is through private lending from foreign interests. Because of the relatively stable fiscal policies of the Liberian Government and its past history of having met its financial obligations, it is considered a good credit risk. An example of the use of this source by Liberia is the loan to Liberia by The Finance Corporation of America in 1926.<sup>1</sup>

There may frequently arise development projects which seem more suited to international loans than to private interests. Such projects as communications, power, or transportation may be of such size as to be unattractive to private capital. While these large projects are not shunned altogether by private capital, the trend is toward loans under international auspices.

Liberia has used, and the writer believes that in the future continued use would be wise, the International Bank for Reconstruction and Development and the Export-Import Bank (EXIM), in situations requiring loans

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<sup>1</sup>See page 14.



of significant proportions. The International Bank for Reconstruction and Development has as its primary function the provision of funds for economic development, either by direct loans or the guarantee of private loans and investments. The bank has found it advisable to perform certain technical advisory functions in connection with many of its loans.<sup>1</sup> The Export-Import Bank performs the same functions but is under the auspices of the United States Government while the International Bank for Reconstruction and Development operates under the auspices of the United Nations Organization.

It must be realized that mere accumulation of capital from domestic and international sources is not sufficient for economic development. Once this capital is accumulated, it has to be channeled into the most productive sources. The burden, therefore, falls on the Liberian Government to see to it that the accumulated capital is utilized in such a manner as to best aid in the all-around development of the economy.

In the writer's opinion, a logical first step toward an increased rate of economic growth would be to intensify the education of Liberians on all levels toward the point where they will be qualified to manage their own financial and commercial activities.

The writer suggests that as technical and mechanical skill have been imported for agricultural and industrial development, also could educational and managerial skill be imported to aid education and the development of the commercial arts. The Liberian Government could make attractive offers to educators and men with managerial abilities to go to

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<sup>1</sup>United Nations, Technical Assistance for Economic Development (New York, 1948), p. 28.

Liberia and help in this educational process.

Only when the people are made aware of their capabilities and their hidden talents are developed can the spark of incentive be ignited which will cause the Liberian economy to reach its full development potential.

## CHAPTER VI

### SUMMARY AND CONCLUSIONS

Liberia has come a long way since its beginnings as a republic in 1847. It has survived the threats to its sovereignty posed by the imperialistic designs of the great European powers during the last half of the nineteenth century. The financial crises of the early twentieth century were also faced and overcome.

There is good reason to believe that Liberia can continue and even accelerate the economic progress of the last decade. This progress shall depend largely on overcoming three types of shortages--of labor, of capital, and what might be called the spirit of enterprise.

The prevention of a possible labor shortage which could seriously limit the economic development of the country depends primarily on the ability of the subsistence tribal economy to release workers for more productive types of employment. This, in turn, will depend upon increasing the efficiency of food production so that a larger quantity can be raised with fewer workers. Liberia is presently undertaking programs which will assist in obtaining this objective. However, the writer feels that efforts need to be intensified in this area to assure that the food and labor supply will be sufficient to meet its future needs.

Liberia's development capital comes from United States Government loans and grants, from private foreign investment and from Liberia's domestic sources. The first source will continue and could very well expand in the light of Liberia's needs and of its importance to the United States

as demonstrated during World War II. New private investment by foreigners depends essentially upon the continuance of "The Open Door Policy" which has been notably successful during the past decade in stimulating this source of capital. The writer was unable to study fully the details of "The Open Door Policy" and is, therefore, unable to justly appraise its total importance or its shortcomings in the desired functions of the program for economic development.

In the long run, Liberia must rely heavily on its domestic sources of capital: to date, the largest portion of the investment within the country has been channeled through the government budget in the form of taxes. This situation will undoubtedly continue for a considerable period. Basically, this is a reflection of the limited savings ability, the preference for foreign investment by wealthier Liberians and the fact that many projects can only be financed with government funds. It follows then that revenues to the Liberian Government should be steadily expanded; also, it is desirable that greater efficiency in collection of taxes and the expenditure of government funds be effected.

The third essential to economic progress is the development of a spirit of enterprise among the Liberians themselves. This is greatly hampered by lack of faith among the Liberians in each other's sense of financial responsibility and their preference for foreign as compared with domestic investment. These attitudes are slowly changing under the impact of more modern ways of thinking. Still, it would be greatly desirable to accelerate this process. The writer believes that foreign concerns could make a valuable contribution along these lines. The foreign concerns provide living examples of the material rewards of private enterprise and its importance to the community. They can also familiarize Liberians with

modern business attitudes and help spread the necessary managerial and technical skills. In addition, there is much that the Liberian Government can accomplish by making low-interest, long term capital and financial and technical advice available to Liberians who lack the necessary resources for starting their own small establishments in retailing, manufacturing, or the services.

The social problem of division between the "Americo-Liberians" and the tribal peoples has and will have its economic implications as mentioned earlier in this study. Until this division is erased, economic progress will not achieve its maximum speed.

Liberia is fortunate in that it does not have some of the economic problems of other under-developed areas. There is no pressure of a teeming population on limited natural resources. There are no industrial workers herded into compounds or slums.

Perhaps the greatest uncertainty in Liberia's economic, political and social future is the question of a successor for President Tubman when he retires or dies. The writer notes that he has recently bowed to public demand that he seek re-election for a fourth term in 1959. Due to the breadth of his understanding and wisdom, President Tubman seems to overshadow his contemporaries. Only an equally distinguished man could take his place in keeping Liberia firmly on the road to economic, social, and political progress. It is hoped that Liberia can and will find the right man when he is needed.

In conclusion, the economic prospects for Liberia are reasonably bright for the foreseeable future. Its performance in the past, particularly during the past decade and the present attitudes and capabilities provide assurance that economic progress will continue at an expanding rate.

As the sun of a new day rises over Liberia, its people look with confidence and determination toward the future. Their problems are great indeed, however, they have won the respect and friendship, not only of America but of the very European colonial powers that so long sought their downfall.

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